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NEWS SUMMARY

GENERAL

Bank kidnap victims freed

The two British bankers held by Left-wing guerrillas in El Salvador for almost eight months were freed yesterday. Their employers, Lloyds Bank International, paid a ransom to their captors.

Mr. Ian Massie, 46, and Mr. Michael Chatterton, 47, were kidnapped by members of FARN, the Armed Forces of National Liberation, and held under threat of execution while negotiations with Lloyds continued.

A Foreign Office spokesman said in London: "We are very glad indeed that Mr. Massie and Mr. Chatterton are safe and well, and full of admiration for the way in which these innocent men endured their long ordeal."

Nazi vote

The West German Bundestag voted in favour of lifting the 30-year-old statute of limitations to enable the prosecution of Nazi murderers beyond this year.

Hoteliers hit

Costa Brava hoteliers reported a big drop in business as Spain's Mediterranean resorts anxiously awaited a new bombing assault by Basque terrorists. French riot police were sent to the French Basque region as fears grew that the trouble might spread into French territory.

Byrd warning

Mr. Robert Byrd, the majority leader of the U.S. Senate, warned the Russians on his arrival in Moscow against any suggestion that the role of the Senate was simply to "rubber stamp" the SALT II treaty. Page 2

Dearer post

The Post Office is to raise its postal charges by 1p on domestic first and second class mail from August 20. Parcel charges will rise by 14 per cent and overseas mail will be 30 per cent dearer. Page 6

Petrol up

BP Oil and Texaco put up the prices of petrol and other oil products. BP added 7.5p to the wholesale price of a gallon of four star and Texaco added 6.8p. Page 6

Air fares

Further rises in world air fares of between 10 per cent and 15 per cent from this autumn are expected to result from a meeting of more than 100 airlines in Geneva on July 17. Back Page

Borg through

Wimbledon champion Bjorn Borg cruised into the semi-finals of this year's championships, destroying Dutchman Tom Okker 6–2, 6–1, 6–3. In an all-American battle Roscoe Tanner defeated Tim Gullikson 6–1, 6–4, 6–7, 6–2. Page 6

Laker plea

Sir Freddie Laker, chairman of Laker Airways, has urged the U.S. civil aviation authorities to end their ban on foreign-registered DC-10s flying into the U.S. and hinted that he may sue for damages. Page 6

Briefly . . .

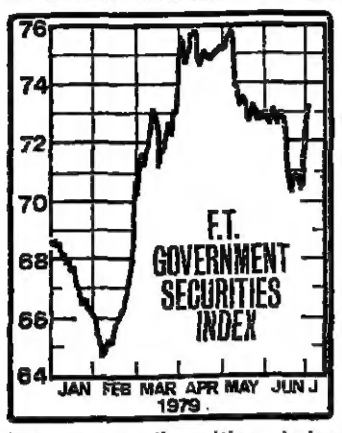
Spanish Government announced a 22.5 per cent increase in the price of petrol and warned that rationing could be introduced if consumption did not drop.

Police launched search for poison scare tins of corned beef, codemarked SIF 2 Brasil, stolen at London's Smithfield Market and from a lorry at Speke, Liverpool.

BUSINESS

Gilts up 0.90; Gold steady

● GILTS gained on continued sterling buoyancy and hopes of an interest rate cut. The FT



Government Securities index rose 0.30 to 73.13, its highest for six weeks.

● EQUITIES opened strongly, but faded later, and the FT 30-share index closed 4.4 up at 479.5.

● STERLING rose sharply against the dollar to close at $2.2030, a rise of 1.45c from Monday, and its trade weighted index increased to 70.4 (70.1). The dollar's was 85.1 (85.0).

● GOLD closed unchanged in London at $282¼.

● WALL STREET was 0.94 up at 834.98 near the close.

● BRITISH STEEL Corporation's strategy to cut its £309m deficit for last year is likely to involve cuts in unprofitable export business and a faster programme of works closures. Back Page and Lex: Editorial comment and feature. Page 20

● CHRYSLER Europe's losses are expected to be significantly higher this year than the FFr100m (£10.3m) deficit in 1978. The forecast came as 3,500 workers at Chrysler UK's Stoke engine plant voted to strike unless their 5.5 per cent pay offer was improved. Back Page

● CHINA and the U.S. are shortly to sign an agreement governing trade between the two countries, including a most favoured nation tariffs treatment for Chinese exports to the U.S.

SEVERAL OPEC member States are negotiating or raising syndicated Eurocurrency loans totalling about $3bn. Page 26

● MERIDEN motor-cycle workers' co-operative is expected to get a Government reprieve in the next few days from the £1.2m interest on State loans which it should have paid by last Saturday. Page 6

● ELECTRICITY manual workers are to pursue a pay claim in line with power engineers. The engineers called off their threat of industrial action after promises of an offer of more than 16-18 per cent. Back Page

● BABCOCK and Wilcox, the UK engineering group, is buying the Keeler Corporation of the U.S. in a $75m (£34m) deal to reinforce its other major North American activities. Back Page. News Analysis, Page 24

● TESCO Stores (Holdings), the food retailers, is to spend £200m on development projects in the three years to 1981. Page 22 and Lex

● IC GAS raised pre-tax profits from £31.14m to a record £33.75m for the year ended March 31, 1979 on turnover of £187.7m (£168.9m). Page 22 and Lex

● VEBA, West Germany's largest industrial concern, reports first-quarter net earnings of DM 92m ($49.9m), more than double the figure in the same period last year. Page 27

Howe backs strong pound as value rises to $2.20

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Sir Geoffrey Howe, the Chancellor, publicly reaffirmed yesterday the Government's commitment to the desirability of a strong pound, as sterling rose above $2.20 for the first time in more than four years.

He left open, however, the further relaxation of exchange controls.

In a Commons written answer Sir Geoffrey said he recognised "the genuine fears that a strong pound may make it harder in the short-run to sell British exports in competitive world markets, but a rising exchange rate also helps to restrain the rise in domestic costs and to reduce the rate of inflation by lowering the cost of imported raw materials.

"The best way to increase exports is by improving productivity, non-price competitiveness and the supply side of the economy."

Consequently, there are no signs of any change in exchange rate policy. The authorities appear to be reluctant to reduce minimum lending rate from its present level of 14 per cent in spite of growing gilt-edged market speculation about an early reduction.

The official view is that MLR was raised in the Budget to curb domestic monetary pressures, and there is no evidence yet of a significant easing of bank lending.

Moreover a cut in MLR might not have much impact on inflows, which reflect the general reappraisal of Britain's position as an oil-producer.

Treasury Ministers may soon consider a further relaxation of exchange controls in addition to the major changes announced in the Budget.

Referring back to his Budget statement, Sir Geoffrey said yesterday that he intended "as time goes by to take further steps in the progressive dismantling of these controls, but the pace of relaxation must be influenced by the strength of the pound as well as by the speed with which our economic problems can be solved."

The rise in the pound since the Budget is likely to bring forward further changes, though changes are not necessarily expected to remove the upward pressures on sterling. Ministers believe that sterling should not be artificially propped up by controls.

The pound rose by 1.45 cents yesterday against the dollar, to $2.2030 for an increase of 6.15 cents since the beginning of last week.

Sterling gained against Continental currencies, rising to DM 4.055 for an appreciation of 2.1 per cent over the same period.

The trade-weighted index measuring the value of sterling against a basket of other currencies jumped by 0.3 points to 70.4. This is an appreciation of 4.5 per cent in the three weeks since the Budget, and of 10.2 per cent so far this year.

Throughout this period the Bank of England has been in-

Continued on Back Page
[illegible] Markers, Page 39

End exchange controls—plea

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE Prime Minister will be urged next Monday to authorise the abolition of all remaining exchange controls when she holds her first formal talks since the general election with leaders of the Confederation of British Industry.

She will also be told by the CBI that, while there is still strong support among leading industrialists for the overall Budget strategy, the current 14 per cent level of minimum lending rate should be brought down.

The CBI economic policy committee decided on this at its monthly meeting yesterday when industry's favourable reaction to the Budget dampened down concern about the level of sterling.

Industrialists on the committee stressed that they are in favour of a strong pound supported by a low inflation rate and high productivity. But there is more concern, which divides CBI members, over a strong pound based on North Sea oil. Against a background of poor profitability, many companies are seriously worried about the prospects in the coming year.

Volkswagen plans £1.36bn investment programme

BY LESLIE COLITT IN BERLIN

VOLKSWAGEN IS expected shortly to announce details of an investment programme worth over DM 5.5bn (£1.36bn) to expand substantially its production facilities in the U.S., Canada and Mexico, as well as in West Germany, during the next two years.

The programme would be VW's largest series of new investments since it launched its highly successful model range to replace the Beetle in the early 1970s. It is understood to have been put to the VW supervisory Board in Berlin yesterday by Herr Toni Schmuecker, the executive chairman.

The supervisory Board, which includes representatives of the West German Government and the trades unions, is expected to approve the plan.

VW's decision to expand on a large scale is being taken against a background of sharply rising worldwide sales. VW sales in the U.S. are up some 45 per cent, as a result of the American car buyers' move to smaller, more economical cars. It is on the U.S. market that VW is said to be concentrating its future expansion.

Capacity at VW's Westmoreland plant in Pennsylvania is to be increased from 800 Rabbit (Golf) cars daily to 1,000 at the end of 1981 and by another 200 a day by 1983. In addition, VW is said to have decided to build a second plant in the U.S. to produce 800 cars a day, including what are called "further derivations" of the Rabbit model.

Volkswagen of Mexico at Puebla is also to get a new factory, at which engines for the Rabbit are to be produced instead of being shipped from West Germany. There are also plans to build the company's first plant in Canada to produce components for the Rabbit.

Volkswagen factories at Wolfsburg and Hanover are to be expanded. The Salzgitter plant, where engines are produced for export to the U.S., is to be freed for car production when the Mexican factory has reached full output.

Last year the Volkswagen group invested DM 1.9bn worldwide, with the bulk of it, 78.4 per cent, going to domestic expansion and modernisation. Investments were financed exclusively from earnings, and this is also to be the case with the massive new capital investments in coming years.

Chrysler Europe losses. Back Page

Mrs. Thatcher rejects demand to kill Budget tax on petrol

BY RICHARD EVANS, LOBBY EDITOR

MRS. MARGARET THATCHER refused yesterday to protect industry and motorists from the latest rises in oil prices when she rejected Opposition demands for the withdrawal of the 10p-a-gallon increase on petrol proposed in the Budget.

When Mr. Callaghan called on the Government to reconsider this "self-inflicted" increase she argued that reducing the tax would be the most certain way of increasing demand for oil.

In a Commons statement on her return from the Tokyo economic summit the Prime Minister said all Heads of Government had stressed the need to develop new sources

This brought an immediate warning from Mr. Callaghan who urged the Prime Minister to moderate her enthusiasm for large-scale nuclear development. Britain had sufficient energy reserves in his view to allow for "a cautious treatment" of nuclear power.

But Mrs. Thatcher made it clear she was a committed supporter of nuclear development and she hoped the public inquiry on the fast breeder reactor would now get under way without too much delay.

Her view was that there was a special need to expand, with safety, nuclear power generating capacity. Without this the prospect for growth and employment would be bleak.

Because of Britain's North Sea oil reserves the UK was clearly in a different category from the other nations represented at the summit. This would make it possible for other countries, including members of the European Community, to import more oil in the next few years while maintaining total imports at the target level.

European energy news, Page 3
UK energy news, Page 6
Parliament, Page 8

Miners unite in call for big rise

By Christian Tyler, Labour Editor

MINERS' delegates of both Left and Right joined forces for the first time in years yesterday to back a militant wage demand which will severely test the Government's determination to stay out of pay bargaining.

The National Union of Mineworkers' annual conference in Jersey voted unanimously for a tightly drawn resolution instructing negotiators to seek rises of between 30 and 65 per cent for November 1, eight months since their last increase.

It was a day of triumph for the Left and in particular for Mr. Arthur Scargill, Yorkshire area president and leading contender for the national presidency, who moved the hard-line claim and also topped the poll in the union's ballot for a seat on the TUC General Council in 1980.

Mr. Scargill said afterwards that he would press the executive in nine days' time to lodge the claim immediately. But Mr. Joe Gormley, union president, said later he was not going to be rushed. "We will have a summer vacation before I do owt."

Realities

The day's events were witnessed by Mr. John Moore, the Energy Department Parliamentary Under-Secretary who is the Minister responsible for the coal industry, who would not comment directly on the claim. But, he said, there was a difference between the realities of the outside world and what he called the "verbal gymnastics and mythology of class war" heard in the conference hall.

The full claim would add £700m to the National Coal Board's present £1.5bn wage bill for miners.

If the entire cost was passed on to customers the average pithead price of coal would rise £7 to £23 a tonne.

Even before the National Coal Board faces the wage claim, miners may take widespread action to stop a South Wales pit being closed.

Conference delegates have no doubt that the forthcoming area strike ballot over proposals to shut Deep Duffryn will produce a "yes" vote and that areas such as Scotland and Yorkshire will become involved

Continued on Back Page

£ in New York

—	July 3	Previous
Spot	$2.1840-1850	$2.1765-1770
1 month	0.75-0.70 dis	0.73-0.68 dis
3 months	1.69-1.64 dis	1.88-1.83 dis
12 months	4.95-4.90 dis	5.40-5.30 dis

Government may move on job perks

BY ELINOR GOODMAN, LOBBY STAFF

THE GOVERNMENT is considering clamping down on company perks. The Treasury is carrying out a detailed study on the whole question of the treatment of benefits in kind, like company cars, subsidised housing and cheap loans.

The Central Policy Review Staff—the "think tank" is also believed to have been asked to look at the question.

Successive governments have tried to tackle what they have regarded as particular abuses of the system. But the feeling now is that it may be time for a more wide-ranging reform.

Ministers believe that while there might have been some excuse for companies paying their workers in kind when the marginal tax rates were so high, that argument no longer holds good now that tax rates have been cut. They feel that this source of income should perhaps be taxed at the full rate in future.

They may finally decide that legislation is not the best way of tackling this problem. Instead, they may try to persuade industry to take the initiative by announcing that it would voluntarily start dismantling some of the existing schemes.

The number of people receiving company perks is known to have rocketed over the last few years, as a way of getting round pay policy. The schemes for paying workers in kind have become increasingly ambitious—suits are now leased as well as cars, for example—and perks are no longer the sole prerogative of management.

As a result, the Inland Reveue may be losing considerable sums of money each year.

Most perks are already taxed, but at a lower rate than comparable levels of pay. Individual loopholes have been blocked from time to time—the Government is trying to clamp down on the treatment of leased cars in the Finance Bill now going through the House, while the last Government changed the treatment of company cars.

But the feeling still is that the taxable income of many workers may be artificially depressed by the payment of perks and that there may no longer be any justification for creating a range of such schemes which can be socially divisive.

The Government will await the results of the research it has commissioned before coming to any decision. The hope is that the studies will be completed in time to include any proposals in the next Budget, but it is recognised that the subject is complicated and that any reform may take some time.

Postal efficiency talks

BY NICK GARNETT, LABOUR STAFF

NEGOTIATIONS on improving efficiency in the postal service were begun yesterday between Mr. Tom Jackson, general secretary of the Union of Post Office Workers and Mr. Dennis Roberts, the posts managing director.

A joint statement confirming the talks was issued by Mr. Jackson and Sir William Barlow, Post Office chairman.

Mr. Jackson earlier gave a warning, however, that his members had rejected by ballot the further use of casual and temporary staff—one of the principal productivity elements sought by the Post Office—and that decision would be adhered to.

He also warned the Post Office that although his union was prepared to discuss improving the process of diverting mail from one office to another, his members would still demand their right to negotiate this fully at local level.

He said his officials would be prepared to negotiate an agreement on work measurement. Anything conceded on this and other productivity issues, however, would have to be paid for by extra money on top of what the union believes to be the current "going rate" in the Post Office of at least 17 per cent.

Mr. Jackson said: "We've not been carrying out any national industrial action as some other unions have. Anything the Post Office wants to negotiate they will have to pay for above what they are already discussing with other groups. We'll not be treated as second-class citizens. I can be as rough as anyone if I have to be."

The UPW agreed on an interim pay deal earlier this year worth just over 10 per cent. It has been seeking consolidation of outstanding supplements of about £8.50, with at least a further 7 per cent.

News Analysis Page 7

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
Treas. 15¼pc '98	£124¾	+	1⅞
Excheq. 12¼pc '99 A (£15 pd.)	£19¼	+	2
AGB Research	182	+	14
Allied Breweries	90	+	2½
B and Q (Retail)	86	+	4
BTR	336	+	16
Babcock and Wilcox	175	+	10
Berisford (S. W.)	197	+	7
Electrocomponents	430	+	15
Glaxo	458	+	10
Gough Bros.	71	+	5
Gt. Portland Ests.	312	+	8
Henderson-Kenton	108	+	10
Heywood Williams	92	+	4
Hollas	70	+	4
Imp. Cont. Gas	505	+	12
Intnl. Timber	120	+	8
Lloyds Bank	340	+	12
Lloyds and Scottish	118	+	9
NatWest	365	+	15
Northern Foods	118	+	6
Provident Financial	98	+	7
Rexmore	74	+	9
SGB	255	+	15
Silhouette A	57†	+	7
Slough Ests.	122	+	6
Smith (W. H.) A	173	+	7
Somportex	115	+	22
Sotheby PB	355	+	10
Whessoe	120	+	7
BP	1260	+	20
Oil Exploration	320	+	20
Pancontinental	750	+	25
FALLS			
Bassett (G.)	112	−	8
Hinton (A.)	93	−	7
Ladbroke	190	−	5
Highlands Lowlands	87	−	4
Kulim	41	−	5
MIM Hldgs.	170	−	13
West Driefontein	£21⅝	−	¾

† At suspension

CONTENTS

Madrid raises petrol prices 22.5%

BY DAVID GARDNER IN MADRID

THE SPANISH Government yesterday announced a 22.5 per cent increase in the price of petrol, and substantial rises in the price of other oil-derived fuels. It warned that if fuel consumption did not drop as a result over the next six months, more drastic action, such as rationing, would be taken.

The price of petrol, which is sold entirely by Government-controlled companies, has been increased across the board, with 98 octane now at £1.26 a gallon, and 96 octane at £1.21. Motorway tolls have also been raised by 15 per cent. The measures have been made less popular by the fact that over one-fifth of the rise will go towards financing debt-ridden city and town halls.

Spanish petrol consumption has increased by 10.7 per cent during the first six months of 1979, compared with the same period last year. The 1978 increase was 8.2 per cent, while overall energy consumption rose by 4 per cent, a figure only exceeded by Libya in the rest of the world.

Other significant price rises are 25 per cent on gasoil and nearly 60 per cent on aviation fuel. The price of internal flights will be raised 25 per cent, except on flights to the Canary Islands. Electricity and telephone charges have also gone up sharply. For now, the Government's Pta 75bn (£526m) subsidy on industrial and agricultural fuel oil will not be phased out. The measures will be complemented by a major advertising campaign stressing the need for conservation.

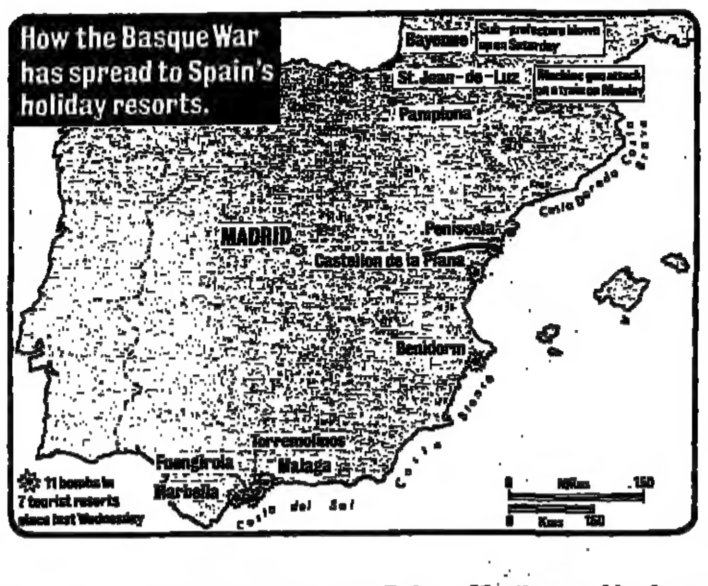
Although apparently a draconian reaction to the new oil prices decided at the OPEC meeting last week, the measures to some extent incorporate earlier price rises which had been delayed. Energy prices have been artificially low since summer, 1977, yet for a combination of economic and political reasons no realignment has taken place until now.

The Government was deterred from raising prices earlier this year, because of the effect on the consumer price index. Not only were there elections to consider in the spring, but collective wage agrements would have to be revised if the index exceeded 6.5 per cent by the end of last month. Although official figures have not been released, this has happened anyway.

The issue could not therefore be avoided any longer. Spain depends on imported fossil fuels for nearly 75 per cent of its energy. The Government estimates that oil imports will now cost £1.37bn more; the present bill is approximately £2.28bn. It is also concerned at the depletion of strategic stocks, and at Col. Gaddafy of Libya's threat to stop exports. Spain obtains between a quarter and a third of its oil from Libya.

At yesterday's Press Conference, Sr. Fernando Abril, deputy Prime Minister in overall charge of the economy, made no mention of plans for retrenchment or revision of this year's projections. It now seems clear, nevertheless, that Government plans for 4-5 per cent growth and holding inflation to 12 per cent are way off the mark. A study published by the Banco de Bilbao yesterday, carried out before the price rises, estimated that growth this year would be 2.3 per cent and doubted if inflation could be held to 14 per cent.

Bombs hit at Spain's economic mainstay



BY OUR MADRID CORRESPONDENT

THE WEEK-LONG bombing campaign against Spanish tourist resorts by Basque geurillas has again raised the stakes in what is fast becoming an insoluble problem.

By the autumn it will be clear whether the Basques are allowed the level of self-government they are seeking, or whether the undeclared war in the Basque country will be stepped up even further. For the Spanish economy, however, what matters is what happens now, and whether the ETA proceeds with its attempt to spread panic across the country's coastline.

Tourism brought Spain a net $4.92bn last year, more than wiping out last year's trade deficit of $4.02bn. In the difficult period now opening for the Spanish economy, tourism receipts will become more and not less important.

Of the nearly 40m tourists who holidayed in Spain last year, almost 35m came from Europe. Of these, 3.5m came from the UK (up 15.5 per cent on 1977), 5m from W. Germany (up 13·3 per cent), 7m from Portugal (up 30 per cent) and no less than 11m from France (up 13.9 per cent). It has been mainly British and German tourists who have been inconvenienced—rather than physically threatened, since except in one case warning has been ample—by the 11 bombs planted on the southern and eastern coasts since last Wednesday.

But one in four tourists to *Spain is French, and the French* Government's decision to rescind refugee status for Basques resident in the French Basque country last February was always likely to ensure that the French would not get off lightly.

Even before Sunday's machine gun attack on the "Puerta del Sol" night express at San Jean de Luz near the French border with Spain, and Saturday's powerful bomb in the subprefecture of Bayonne, there had been almost weekly attacks on French property in Spain.

The border itself has been closed an estimated dozen times to all but essential traffic, and street battles, long a fact of daily life in the Spanish Basque country, have now put in an appearance on hitherto tranquil French Basque soil.

The present campaign nevertheless represents a significant change in guerrilla tactics. ETA-Militar, the nationalist organisation's more militant wing, had made the running this year, claiming responsibility for 41 out of 85 deaths so far this year in political violence.

They are aiming for complete independence and believe that with over 20 per cent of the population behind them, they can force the Government to negotiate a platform of minimum demands leading in that direction.

ETA (Politico-Militar) on the other hand, the group behind the present campaign, was up till now in semi-retirement, *carrying out a limited number* of mainly propagandist actions.

Meanwhile, the authorities have stepped up security in key resorts, particularly as the campaign creeps up the eastern coast towards the Costa Brava, a favourable holiday area for the French. The Ministry of Tourism is holding fire until the end of the week, when a joint government statement is likely.

Attention is now being focussed on Pamplona, in the disputed Basque province of Navarre.

Pamplona's famous annual festival of San Fermin opens this weekend. There is a risk of violence if extreme-Rightists groups respond to the campaign disrupting tourism on the coast by attempting to ensure similar condtions for "basque" tourism.

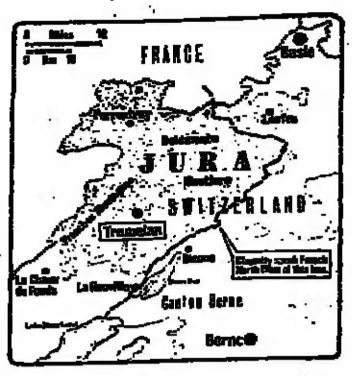
Last year, the festival broke up in chaos after an attack on Pampolna bull-ring by a company of fully-armed riot police. Two people were killed and nearly 300 injured in the ensuing violence, and a general strike paralysed the Basque country for nearly a week.

Robert Mauthner adds from Paris: Reinforcements of riot police are being despatched to the French Basque region as fears grow in Paris that the Basque terrorist campaign would rapidly spread to the French side of the border with Spain.

The French authorities believe that there is a serious risk that French Basque organisations with links with ETA are preparing to give active support to the latter's current terrorist campaign.

Basque terrorist attacks have been stepped up since the French government withdrew the right last [illegible] of Spanish Basque nationalists to claim political asylum on the French side of the border.

Though as many tourists as ever have been crossing the Mediterranean border between the two countries, on the Atlantic side, local authorities have reported a much lighter flow of tourist traffic than in previous years.



'Vigilante groups' call after Jura violence

By John Wicks in Zurich

OFFICIAL approval for the formation of local armed vigilante groups has been demanded by a group of politicians in the Jura region of Canton Berne. The demand was made after a demonstration in the Bernese village of Tramelan last Saturday by a separatist group, when local inhabitants were beaten and cars damaged. Tramelan is in that part of French-speaking Berne which had voted against joining the new canton of Jura.

About 200 members of the separatist youth organisation "Beliers," took part in the demonstration, which had not previously been announced. They claim they were themselves attacked after reading a pro-Jura proclamation. There were injuries on both sides, the mayor of Tramelan being among local inhabitants who were seriously injured.

The Bernese Jura politicians, who include members of the Social Democratic and Radical parties, as well as of regional groups loyal to Berne, want the governor of the Bernese Jura to permit local "home guard" units to be set up, as provided for in the canton's constitution.

The federal Government is to be asked to demand an apology from Canton Jura and undertakings that effective action will be taken there to prevent further violence of this kind. Should Canton Jura be unable to meet these demands, the politicians call for a federal control body to be set up to keep order in the region, and for relations to be broken off between the two cantons of Berne and Jura.

● Foreign currency reserves of the Swiss National Bank reached their highest level for three months at the end of June, increasing during the week by SwFr 2.81bn (£777m) to SwFr 25.89bn. The total includes SwFr 2bn in end-of-quarter swaps with commercial banks.

Italy makes final attempt to break wages deadlock

BY PAUL BETTS IN ROME

SIG. VINCENZO SCOTTI, the Labour Minister in the outgoing Italian Government, was involved in final attemps last night to break the deadlock in the negotiations for a new contract for the 1.5m engineering and metal workers, as unions sharply increased industrial action throughout the country.

The Turin-based Fiat car-manufacturing group, Italy's largest private enterprise, has been hard hit by the latest strikes, which have severely disrupted production at most of its plants.

Fiat has traditionally been in the front line of labour unrest in Italy. In the past 48 hours, the unions have also imposed a boycott on all Fiat cars produced abroad and shipped to Italy, mainly from Spain and Brazil.

The unions claim Fiat has been increasing its shipments of cars manufactured abroad to make up for the reduced production in Italy after the recent strikes.

Although Fiat denies this, the unions yesterday successfully prevented a shipment of Fiat cars from being unloaded at Leghorn in Tuscany.

While agreement between the metal workers and employers has been reached on the controversial question of labour mobility, renewal of the three-year labour contract has been blocked by union demands for shorter working hours, and their rejection of employers proposals for greater flexibility on overtime.

There are further difficulties with union requests for a greater say in company investment policies, and for more information on future company plans.

The metal workers are also asking for monthly salary increases of some L30,000 (£16.50) which employers and monetary authorities consider to exceed the original target of preventing any real rise in wages during the next three years.

Both employers and the monetary authorities have stressed throughout the negotiations, now in their third month, the need to contain labour costs to maintain the competitiveness of Italian exports.

The metal workers' contract forms part of a major round of negotiations for some 10m private and public-sector workers. But their contract has in the past generally set the pattern for other settlements.

In the past 12 months, the union leadership had advocated more flexible labour policies. But they have come under increasing pressure from a more militant rank and file, which has now been disillusioned by the setback to the Communist Party in the general election last month.

Apart from the metalworkers, who organised a "March on Rome" last month, in which 200,000 trade unionists took part, chemical and construction workers also plan strikes this week.

The union leaders, in a sense, are orchestrating the latest outburst of labour unrest in an attempt to reach a settlement before the summer holidays and avoid postponing the negotiations until September. They are already warning that, should the talks be postponed again, Italy would risk facing "another hot autumn."

Berlinguer admits poll errors

BY RUPERT CORNWELL IN ROME

SIG. ENRICO BERLINGUER, the Italian Communist Party leader, has admitted publicly the errors made by his party which contributed to its defeat in last month's general election. He insisted, however, that the party should stick to its policy of the "historic compromise" with the country's Catholic and Socialist forces.

Sig. Berlinguer was delivering his opening speech late on Monday night to a lengthy session of the party's central committee. Its 76-page text was only made available to the Press yesterday to allow the inquest on the election to start in as tranquil an atmosphere as possible.

The discussion for the rest of this week certainly will be heated and acrimonious. After a break the central committee will reconvene next week to endorse what are likely to be sweeping changes in the Communist leadership, to accompany the party's return to opposition.

Sig. Berlinguer's argument briefly was that the party's strategy after its triumphant 1976 election showing, of first abstaining, and then joining, the majority backing the Christian Democrat Government had been right. But the way it had put this policy across to its supporters had been wrong.

Part of the trouble had been the orchestrated counter-attack by anti-Communists of every hue, to undermine the policy of national unity, and prevent the Communists entering government. But the party itself, Sig. Berlinguer declared, had been slow to see the threat.

He admitted the "fundamental contradiction" of the past thre years when the party had been associated with the Government, but in no way responsible for its policies — and conceded that the Communists' basic commitment to Italy's renewal could have been lost along the way.

Too many party workers, he said, had become bureaucratically minded, especially after the strong regional government advances of the early 1970s. At the same time much of the leadership had come to worry more about relations with other parties than about the supporters of the Communist Party.

Turkish Right in role of victim

BY OUR ANKARA CORRESPONDENT

TURKEY'S Right-wing extremists, long regarded as behind much of the political violence in the country, are complaining bitterly that their role is now that of victim.

A bomb and machine-gun attack at the weekend on the headquarters of the Nationalist Action Party headed by Mr. Alpaslan Turkes, the acknowledged leader of the extreme Right, left two dead and three injured. A prominent party member was seriously injured in Gonen, north-west Turkey yesterday. His brother was killed.

According to Mr. Turkes's supporters, 200 party members, including 43 regional leaders, and a total of 2,000 Right-wingers have died since Mr. Bulent Ecevit came to power 18 months ago.

An independent estimate however gives an overall number of political deaths of 1,500 dead, 426 of them this year, for the same period. Most of the total were Left-wingers or, at least, opponents of the extreme Right.

The latest attacks have prompted President Fahri Koruturk to call Mr. Hasan Fehmi Gunes, the Interior Minister, to the presidential palace. The Ministry has been criticised by both Right and Left for several years. The police, in particular, have been accused of being inefficient, partisan and corrupt. Soon after taking power, Mr. Ecevit brought the rural gendarmerie into some cities to take over several police responsibilities.

Mr. Gunes claims that the record of the police force has greatly improved in recent months and that a large number of terrorists have been arrested.

Recent police actions included the arrest of 45 people in Ankara, Istanbul and Izmir, who were believed to form the core of the Turkish People's Liberation Party/Front, a Marxist group advocating armed revolution.

The police and security officials find it hard to track down the youths who buy sophisticated weapons on a flourishing black market and then rob banks, kill opponents, or raid the party headquarters or meeting places of their political rivals.

Under-trained, badly armed and often divided by political opinion, the police cannot cope with the terrorists. Even though a number of Right-wing terrorists have been caught and sentenced, others have escaped from custody.

Martial law in 19 of Turkey's 67 provinces has done little to reduce the overall volume of violence. Since it was introduced in December violence has decreased markedly in the smaller towns under military regime, only to move to provinces under civilian rule.

Nuclear power urged by W. German energy chief

BY GUY HAWTIN IN FRANKFURT

WEST GERMAN energy supplies are assured for this winter and the coming year, according to Herr Rudolf von Bennigsen-Foerder, chief executive of Veba, the country's largest energy concern. But he warned of medium and long term problems if there was no resumption of the nuclear energy programme.

Herr von Bennigsen-Foerder, said that supplies for the remainder of this year and 1980 would continue "essentially with no friction." In the oil sector, there was no supply crisis but rather a "psychological change" in consumers' attitudes.

"Previously, the consumer looked at his tank and saw that it was half full and carried on. Nowadays, he looks at it, sees it is already half empty and orders some more," he said.

But he warned that coal alone could not provide the substitutes that would solve future problems. Nuclear power was essential and the country's energy needs could not be assured without it.

If energy consumption continued on its normal path, consumers could expect a supply bottleneck to arise in about 1985/86. With power station construction halted, particularly in the nuclear sector, the danger to the country's future power needs was growing. The critical point would be reached in 1983.

European banks prepare joint credit card scheme

BY CHARLES BATCHELOR IN AMSTERDAM

EUROPEAN BANKS are preparing to launch a joint credit card scheme and a uniform European travellers' cheque to halt the inroads by U.S. banks into their markets. The banks are developing the "Eurocard" system, originally set up in Sweden about 10 years ago.

West German banks have already started the scheme, and banks in many other European countries plan to join the scheme soon, Dutch bankers said.

The credit card would be primarily for travel and entertainment, on the lines of the Diners' Club or American Express card, rather than for everyday shopping. Banks in the Benelux countries, Scandinavia, France, Spain and Italy are believed to be preparing for the scheme. British banks are not so interested, however, because their own credit card schemes are well established.

Plans are also well advanced for a European travellers' cheque, on the lines of the present Eurocheque—throughout Europe. Banks would issue the cheques in their own currency as well as in the other major currencies. This would allow travellers' cheques to be more effectively marketed than they are at present by the individual banks, and cheques would be more readily recognised by foreign banks and hotels. The scheme may be introduced next year.

Nomination of Greek envoy to EEC withdrawn

By Our Foreign Staff

THE GREEK Government has withdrawn its controversial nomination to the EEC of a diplomat who had served in the same position during the Colonels' dictatorship.

The nomination had caused surprise in Brussels, given the Greek Government's stress on EEC membership being a guarantee of parliamentary democracy in Greece. Now Mr. George Rallis, the Foreign Minister, has described as "an excellent career diplomat" the official in question, Mr. Stavros Roussos, who is now Ambassador to London.

He described Mr. Roussos's attitude during the dictatorship as "irreproachable," and noted that his post-junta appointment to London had caused no untoward reaction.

Gibraltar 'a vital area'

BY OUR OWN CORRESPONDENT

FROM A European defence point of view, Gibraltar is a vital strategic area and it is more important than ever that the Strait be kept clear for allied shipping, according to General Sir William Jackson, Gibraltar's governor and commander-in-chief.

Regarding the Spanish claim to Gibraltar, he said Britain accepted that Spain had first option to the Rock's sovereignty under the 1713 Treaty of Utrecht.

But Spain should in turn accept that there can be no change in sovereignty without the Gibraltarians agreeing. The Spaniards, he added, do not seem to believe that Britain's position on Gibraltar is based on the self-determination of its people—if Spain wants to win the Rock over, she must woo the Gibraltarians, he said.

U.S. Senator warns on SALT II ratification

BY DAVID SATTER IN MOSCOW

MR. ROBERT BYRD, the majority leader of the U.S. Senate, arrived in Moscow yesterday and warned the Russians against any suggestion that the Senate's role was simply to "rubber-stamp" the SALT II agreement.

Mr. Byrd, whose support for the treaty is considered crucial to its ratification, said at a Kremlin lunch that he had not come to Moscow to renegotiate the treaty, but the Russians must remember that the President and the Senate are "equal but independent partners" in the treaty-making process.

Mr. Andrei Gromyko, the Soviet Foreign Minister, said last week that the Soviet Union would refuse to accept amendments to the treaty, and his statement inspired Mr. Howard Baker, the Senate minority leader, to announce that he would work to defeat SALT II unless amendments were allowed.

Mr. Byrd said it was not his intention to either praise the treaty or condemn it, but to examine "certain concerns regarding the treaty," and that this was his responsibility as a U.S. Senator.

Irish plan postal reform

BY STEWART DALBY IN DUBLIN

IRELAND HAS announced plans to reform its post and telecommunications systems, after a crippling four-month post and telephone strike.

Mr. Padraig Faulkner, the Minister for Posts and Telegraphs, has said two semi-state bodies will be set up, one for post and one for telecommunications, and that an accelerated £650m investment programme will be launched.

The postal and telecommunications services will thus be taken away from civil servants and run by bodies like the Industrial Development Authority and the Export Board. These are financed by the Government, and have considerable autonomy, subject to the relevant ministers.

As an interim measure two boards, one for post and one for telephones, are being set up immediately, and the Government has said it will contribute £100m for 1980, until the new bodies develop "appropriate financial arrangements."

Some of the £650m for the accelerated investment programme could come from the more than £1bn in loans which Ireland is expecting each year for the next five years from the EEC, in return for joining the European Monetary System.

Jonathan Carr reports from Bonn on the Christian Democrats' surprising choice of a champion.

Herr Strauss gets his chance at last

THE ALMOST impossible has happened after all. The West German opposition parties have decided that Herr Franz-Josef Strauss will be their candidate for the Chancellorship in the general election next year. It promises to be one of the most dramatic—and possibly bitter—election campaigns in Federal Germany's 30-year history. It will certainly be followed with intense interest, and some concern, beyond West Germany's borders.

But why does the decision to select Herr Strauss appear so astonishing? After all, at the age of 64 he has a notable career behind him. In the 1950s and 1960s he served in Bonn as, among other things, Minister for Atomic Questions, Defence Minister and Finance Minister.

He has an agile brain. He can be a splendid orator, and he has led his own party, the Christian Social Union (CSU), to outstanding electoral success in his home state of Bavaria. He has an international reputation which years away from ministerial office have failed to erase. And many independent observers see in him the opposition figure most likely to test Chancellor Helmut Schmidt

That said, the fact is that the CSU exists only in Bavaria and is a far smaller party than the one with which it is allied in Bonn, the Christian Democratic Union (CDU). Surely the CDU has first claim to put up the runner against Herr Schmidt?

And how did Herr Strauss manage to persuade it to act otherwise?

The answer is twofold. First, the current CDU chairman, Herr Helmut Kohl, was Chancellor candidate at the last election in 1976—when he narrowly missed displacing Herr Schmidt. Since then, he has signally failed to unite around him a party which has always been composed of highly disparate elements which require an iron hand (like that of the party's first leader, Dr. Konrad Adenauer) to control.

Secondly, even allowing for the weaknesses of Herr Kohl's leadership, it is widely felt that he received far less support as party chairman and as leader of the opposition group in Parliament than he had a right to expect. Many senior figures in the CDU have been quick to criticise Herr Kohl. But their personal rivalries—as well as the fear that they, too, might stand no chance against Herr Schmidt in next year's election—have prevented any clear new CDU leader emerging. More than a month ago, Herr Kohl made clear he would not run again as Chancellor candidate and instead proposed Herr Ernst Albrecht, State Premier of Lower Saxony, who has plenty of CDU rivals himself.

Herr Franz-Josef Strauss, the West German Opposition's new candidate for Chancellor, opens a party board meeting on Monday. Herr Edmund Stoiber, secretary-general of the Christian Social Union, is on the right.

Herr Strauss thus moved into what was largely a leadership vacuum. By sheer single-mindedness and the unswerving support of all his CSU followers, combined with a clever exploitation of the divisions in the allied party's camp, he has managed increasingly to dominate the opposition scene. The upshot was the vote on Monday night, after nearly seven hours of stormy debate, when he clearly defeated Herr Albrecht—thereby, incidentally, further undermining the position of Herr Kohl as CDU chairman.

The big questions now are whether Herr Strauss will, in fact, be able to unite the whole CDU-CSU around him for the election fight. And even if he does, could he lead the combined opposition to victory?

There are many who believe the answer to both to be "no." The CDU derives much of its support from the middle ground, and Herr Strauss is firmly associated with the Right-wing. For all his brilliance, he is often seen as an unstable figure—a reputation partly born of the notorious *Spiegel* affair in 1962, over which he lost his post as Defence Minister. It is not only the Government coalition parties, the Social Democrats (SPD), and liberal Free Democrats (FDP), who are recalling such incidents now from Herr Strauss's past. Many at the grass-roots of the CDU are unhappy too.

They believe, with good reason, that the decision in favour of Herr Strauss will tend more than ever to unite the present Government Coalition. Admittedly, Herr Kohl's long-term strategy to try to split the Coalition, and thus displace it, never met with success. But with Herr Strauss heading the election battle, every last hope of gaining additional liberal voters to the CDU-CSU cause appears gone.

Further, there are clearly those in the top ranks of the CDU who expect Herr Strauss to lose in 1980 by so large a margin that he will be put out of any further national political running. That would leave the way clear for the CDU under a new leader to take over the Government in 1984.

It goes without saying that such calculations can easily go wrong. Very few would have tipped Herr Strauss as Chancellor candidate—let alone Chancellor—even a few months ago.

There is no doubt that he will run a very tough campaign which could polarise West German public opinion to a degree never seen before. And while Herr Schmidt remains very firmly in office, there are problems on the horizon. The economic forecasts for 1980 were not very optimistic, even before the latest oil price increase. Any marked economic deterioration next year would clearly help the opposition cause.

Herr Strauss has repeatedly been written off in the course of his long political career. But each time he has come bouncing back, apparently stronger than before.

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Harlech finds 'common ground' on Rhodesia

BY TONY HAWKINS IN SALISBURY

LORD HARLECH, Mrs. Thatcher's special envoy to Zimbabwe Rhodesia, claimed yesterday that he had been able to detect "common ground" between the black front-line states and the Muzorewa government in Salisbury.

Speaking to reporters on arrival in Salisbury before meeting the Prime Minister, Lord Harlech said the front-line state of Zambia, Botswana, Tanzania, Angola and Mozambique recognised that progress had been made, although the black states would differ among themselves as to progress achieved.

Lord Harlech said he believed that there had been a considerable advance—the elections, the establishment of black majorities in Parliament and in the Cabinet and the swearing of a Black President and Prime Minister. His task was to determine how the British government could build on the advances already achieved so that the country could return to legality with the maximum amount of international recognition.

Lord Harlech said he believed that there was an opportunity to restore peace to the region, and he would brief Bishop Muzorewa on his contacts with other black states, including Nigeria. Political observers in Salisbury expect him to spell out British demands for changes to the 1979 constitution and perhaps, to seek a pledge by Bishop Muzorewa to attend all-party talks aimed at drawing up another constitution.

Lord Harlech stressed that his meetings with the bishop would be confidential. He would not make a statement when he leaves Salisbury today—"not even to say whether I am optimistic or pessimistic."

Bishop Muzorewa is due to fly to Washington and London this week for talks with the U.S. and British Governments designed to secure international recognition and the early lifting of economic sanctions.

Reginald Dale reports from New Delhi: Britain is working hard to avert any impression that it would be snubbing the Commonwealth if the Government advised the Queen not to attend next month's Commonwealth Conference in Lusaka because of fears for her safety.

Any decision to cancel the Queen's visit to Zambia would be for the Commonwealth as a whole, Lord Carrington, the Foreign Secretary, told a Press conference at the end of two days of talks with the Indian Government.

The Queen was Head of the Commonwealth and the decision would be taken in the light of "concerted opinion" of all Commonwealth Heads of Government, he said.

Lord Carrington said that there was anxiety over security in Lusaka as a result of the presence in Zambia of 15,000 Patriotic Front guerrilla opponents of the regime in Salisbury. He hoped that President Kenneth Kaunda of Zambia would be able to reassure all Commonwealth Prime Ministers that the situation was under control.

Lord Carrington said he hoped his talks with the Indian government had reduced differences between the two countries on the Zimbabwe Rhodesia issue. India does not accept the legality or fairness of the recent elections.

The Indians are hoping that some compromise can be reached to avoid a damaging row in Lusaka. Indian Ministers have stressed the importance they attache to a strong Commonwealth.

Bazargan Cabinet gains in authority

By Andrew Whitley in Tehran

IRAN'S Prime Minister, Dr. Mehdi Bazargan, has emerged with his authority strengthened after a series of political meetings among the country's ruling groups.

An official communique on a conference held in Qom between the Cabinet and Ayatollah Khomeini on Sunday, says new agreements were reached on the need for unity in decision-making.

On the crucial issues of power-sharing and individual authority a compromise appears to have been reached. There is to be no cutback in the role of the Revolutionary Council or the right of senior clergymen to make pronouncements on current issues. Nor are local revolutionary committees to be dissolved, as was being demanded. Up to now they have been responsible only to Ayatollah Khomeini through a nominated intermediary, Ayatollah Mahdavi-Kani, but there are indications they may come under the Government in future.

Dr. Bazargan's provisional Government is likely to be seen to be taking on more authority in its own right, in the opinion of the Iranian Press.

The Cabinet's meeting with Khomeini was followed immediately by another session between the religious leader and the Revolutionary Council, which was also attended by Ayatollah Mahdavi-Kani and the revolutionary prosecutor-general, Mr. Mehdi Hadavi.

One outcome has been the lifting of an official ban on the arrest or prosecution of criminals in the capital. The ban was ordered last Saturday by Tehran's senior Government legal officer, Mr. Abolfazl Shahshahani, in protest at the refusal of the committees, backed by clergymen, to co-operate with the Government authorities.

The Qom talks were followed up on Monday by a Cabinet meeting to discuss the outcome and by a top-level conference in Qom between the country's four senior religious leaders, Ayatollahs Khomeini, Shariat-Madari, Golpayeghani and Marashi-Najafi.

No details have been disclosed, but the meeting of religious leaders is believed to have been concerned primarily with consolidating a unified approach to the next few months, when the constitution will be settled.

ASEAN offer on boat people

BALI—The five members of the Association of South-East Asian Nations (ASEAN) have agreed to lift their ban on providing first asylum to Vietnamese boat people, provided that the refugee resettlement programme is speeded up, U.S. officials said yesterday.

The agreement came after foreign ministers of Thailand, Malaysia, Indonesia, Singapore and the Philippines held two days of talks in Bali with Mr. Cyrus Vance, the U.S. Secretary of State and Mr. Sunao Sonoda, the Japanese Foreign Minister.

ASEAN officials said there had been no firm agreement, though they had agreed to review their policy after the U.S. and Japanese approach.

An Indonesian official said it was up to each country to decide what to do about refugee arrivals.

The ASEAN countries, in a joint communique at the weekend, endorsed their original decision to turn back to sea any new Vietnamese boat people.

Reuter

South Africa's neighbours aim to lessen dependence

BY OUR DAR ES SALAAM CORRESPONDENT

SOUTH AFRICA'S economic hegemony over its black-ruled neighbours to the North is the target of a conference which opened yesterday in the northern Tanzania town of Arusha.

The five "front-line States," Tanzania, Botswana, Angola, Mozambique and Zambia, have asked representatives of about 20 Western aid donor nations and such international bodies as the World Bank, the European Community and the United Nations to help forge that they hope will develop into a new economic grouping to confront Pretoria.

The two-day conference, opened by Sir Seretse Khama, Botswana's President, is expected to result in the setting up of a southern African development bank.

The front-line Ministers hope the West will help finance this and the development of transport, regional co-operation and industrial ties to lessen the embarrassing dependence on the white-ruled South.

Officials have stressed that the aims are essentially long-term. They envisage a 10-nation grouping to include Namibia, Zimbabwe Rhodesia, Lesotho, Swaziland and Malawi, as well as the front-line states. The eventual emergence in Windhoek and Salisbury of administrations acceptable to the black-ruled states is assumed.

The formation of a regional development bank is a key proposal to be put before the conference. The bank could be created, perhaps, by extending the existing East African Development Bank. It should, delegates say, be more than just a financial vehicle and it should deal with industrial and agricultural integration and regional planning.

An economy in need of direction

Ghana's confused political and economic climate after the junior officers' coup last month is examined by MARK WEBSTER, reporting from Accra. With a newly elected Parliament waiting in the wings and a military regime intent on waging war on corruption, the need for a coherent economic policy appears to have been overlooked.

On Monday June 4 an International Monetary Fund team was in Ghana to see what progress had been made on a stabilisation plan for the economy. By the end of the day it was no longer clear who the government was. A military coup had toppled the previous armed forces regime and everything was in confusion. As soon as the airports re-opened the team left.

Technically, the fact that the policy review talks did not take place put Ghana in breach of its agreement with the fund. But far more serious for the country is that when the IMF team left, so did any immediate hope of restoring international confidence in Ghana. The slim signs of recovery vanished.

Those signs of recovery emerged last year after an earlier coup when Gen. Fred Akuffo ousted Gen. Ignatius Acheampong as head of state and began putting together the stabilisation plan in consultation with the IMF.

Reform was long overdue. During the six years Gen. Acheampong was in power the country was greedily plundered by both military and civilians and what should have been a healthy economy based on cocoa receipts was turned into a textbook case of mismanagement.

For the three years up to 1978 the Government ran increasingly large budget deficits which it financed largely by printing money. Money supply went out of control and, without any corresponding rise in the supply of goods, Ghana had triple figure inflation by 1976-77. It has stayed there ever since. At the same time, the productive sectors of the economy were starved of foreign exchange for spare parts and raw materials.

Even cocoa, by far the biggest foreign exchange earner and a major contributor to Government revenue, was neglected. Gross domestic product shrank by 5 per cent in real terms between 1975 and 1977 and Ghana's balance of payments problems mounted. At the end of last year it had an estimated deficit on current account of SDR 68.3m (£40.4m).

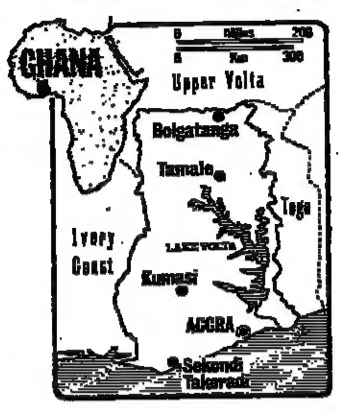
With the overthrow of the Akuffo Government by Flight-Lieut. Jerry Rawlings and his colleagues, new uncertainty hangs over Ghana, both political and economical. The new Government has executed Generals Acheampong and Akuffo, together with seven others, and more than 40 people are waiting trial by "people's courts" for a variety of economic crimes, such as hoarding and profiteering.

Ghana's first general elections in a decade were held two weeks after the Rawlings coup and a civilian parliament is now waiting in the wings, hoping that it will be able to take control on October 1, as promised by the new Government. But at present there are no signs of coherent economic policy coming from either the civilians or the military.

The mood of uncertainty is reflected abroad. Lines of credit and loans agreed before the Rawlings coup are going ahead as planned, including a soft loan from Britain, wheat from the U.S. and West German commodity support.

But neither foreign governments nor the private sector are showing any inclination to invest in the future, whilst Lebanese traders, fearing the wrath of the new government, have decided to lie low or quit the country.

The new governing body, the



Armed Forces Revolutionary Council (AFRC), has already made one departure from the IMF stabilisation plan, which included elimination of price controls to allow goods to find a realistic price level in keeping with supply.

Soldiers have blown up the houses of hoarders, flogged market traders accused of charging excess prices and have threatened to seize the goods of any store keeper who does not open as normal. Although the sincere effort to root out corruption and keep prices down has proved very popular with Ghanaians, it seems likely to be followed by severe shortages.

The justification given for the move was that Ghana's long distributive chain meant that goods reached the market way above the controlled price. Price controls were easy to exercise at the factory gate or in the big supermarkets but impossible in the teeming, crowded local markets.

But by forcing traders to sell often at below the prices they paid, another serious distortion has been added to an economy already grotesquely awry. The *immediate effect of the new policy was to increase consumption and Ghana's limited supplies are in danger of becoming exhausted very soon.*

Removing price controls was only one element, though a highly controversial one, in the stabilisation plan which the Akuffo Government was implementing. The package included a highly unpopular devaluation which more than halved the external exchange rate of the cedi, a tight budget aimed at slashing the Government's deficit, tight monetary policy, controls on imports, limits on foreign borrowing and an agreement to pay off mounting arrears of short-term debt.

The administration, in fact, failed to keep within most of the guidelines set by the IMF but its performance was a marked improvement on the previous year.

The 1978-79 budget was designed to try to curb the import of non-essential consumer goods. The import bill was to be restricted to the same levels as the previous year ($900m), while a system of priorities in granting import licences was established and came into effect from January this year. The priority sectors, raw materials and spare parts, received their allocations, by and large, although foreign exchange was extremely tight.

Just as important was the Government's determination to reduce its budget deficit to C800m ($291m) from a staggering C2.1bn ($764m) the previous year. Two thirds of the 1977-78 deficit had been financed by the banking system, mostly by printing money, and was by far the biggest contributor to the growth of money supply. Broadly defined money supply rose 69 per cent in 1977-78 and 45 per cent the previous year.

Despite slashing the development programme to almost nothing, the Government still *failed to keep within its targets for controlling the budget deficit.* At one stage is looked as though the deficit might be as little as 500m cedis but delays in shipping the annual cocoa crop and a shortfall in production has meant that revenues have been both late and below estimates.

The actual size of the deficit is still unknown but with revenues only coming in slowly the Government was also unable to make much impact on arrears of international debt. Ghana's total debt of around $1bn is not considered unmanageable by economists. But $471m is short-term debt, mostly in respect of commercial bills for imports.

Observers here agree that Ghana's biggest mistake has been to allow the traditional export industries to run down. Cocoa, timber, gold, diamonds and manganese which account for almost all Ghanaian exports have been in decline for a number of years. The only addition to the economic base of the country over the past 70 years has been a few import substitution industries which have proved highly dependent on imported raw materials and very inefficient.

Nowhere is the neglect of the export industries better seen than in cocoa production. Cocoa accounts for 70 per cent of foreign exchange earnings and contributes more than one-third of Government revenue. Yet production this year will be the lowest since 1959, at around 250,000 tons. *That compares with 270,000 tons last year and 320,000 tons in 1976-77.*

Production has been hit by smuggling to the hard currency countries of Togo and Ivory Coast, lack of care of ageing trees, widespread disease and a lack of inputs. But perhaps more serious is that farmers are finding cocoa-growing unprofitable and are moving instead to food crops abandoning cocoa completely. Despite the fact that the producer price was doubled in last year's budget, inflation means that the real value to the farmer has sunk from C560 per ton in 1975 to C315 per ton last year.

Ghana desperately needs a coherent overall economic strategy to cope with its multitude of interlocking problems but it does not have one from the present military rulers, nor from the civilians. As one diplomat put it: "The trouble with Ghana at the moment is that no one is getting to the root of the problem. The present Administration is just lopping off branches and if they lop any more off, they may kill the tree."

Kissinger attacks Rhodesia policy

By David Buchan in Washington

DR. HENRY KISSINGER, the former Secretary of State, has sharply criticised President Carter's Rhodesia policy as favouring "the radicals against the moderates," and for taking a position on trade sanctions that could make Britain "the fall guy" if the UK Parliament lifts the boycott in November.

Dr. Kissinger, in an extended interview largely on Africa policy published by the Washington Post yesterday, said he was speaking now because the U.S. still had some margin of manoeuvre on Zimbabwe-Rhodesia.

While it was prudent, he said, for the U.S. to keep in line with the British on sanctions, it was wrong for the Carter Administration, by retaining sanctions almost without condition, to have placed "the entire moral responsibility" on Britain.

Dr. Kissinger, whose interest while in office was drawn to Southern Africa by fears that it would become caught up in the global East-West competition, commented: "We run the risk of a verbal position that is radical, a practical position that is impotent, and a theory justifying Cuban and Soviet intervention whenever they judge it is time to heat up conditions again."

The former Secretary of State also criticised the Administration's policy towards Nicaragua—though he did not put President Anastasio Somoza in the same category as the Shah of Iran, who, he has earlier said, was insufficiently backed by the U.S.

"My impression is we did enough to unsettle the existing Government, but not enough to put over a moderate alternative, if there is one. I could have understood a decisive move to replace Somoza with a moderate element, but this would have required the kind of covert action so much decried today," he said.

Dr. Kissinger's interview contained nothing on the SALT treaty debate, on which he is expected to have some influence. He is considered a possible Republican contender for a Senate seat in either New York State or Connecticut next year.

Dissension in White House over energy proposals

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

PRESIDENT CARTER'S nationally televised address to the nation on energy tomorrow night is more likely to concentrate on the analysis of current problems than on specific policy proposals.

Mr. Carter will almost certainly outline, though not necessarily in detail, what he considers to be the desirable next steps—including a standby petrol rationing plan, which was turned down by Congress *in April, and a major drive to* develop alternative sources of energy.

But as much as anything else, he will want to emphasise to the public, and to Congress, the need for "a bold and forceful programme that, under the scrutiny of the Congress and the public, will be highly acceptable," as he said on Monday.

There have been signs that Congress has become more receptive to action on energy than it was a few months ago. The House of Representatives which has already passed a windfall profits tax Bill which is harsher than the President proposed, is moving rapidly to enact synthetic fuels legislation and seems more willing to give Mr. Carter standby rationing authority.

Meanwhile, Mr. Carter this week gave the state governors extra powers to move petrol supplies from rural areas, where shortages are less common, to the starved cities. He is also about to put into effect regulations limiting thermostat settings in public buildings.

But these moves do not disguise the fact that the Administration is not agreed on precisely what to do. The New York Times, for example, reported yesterday that there was deep dissatisfaction inside the White House over the way energy policy has been handled by the Energy Department.

Much additional power over policy has already been given to Mr. Stuart Eizenstat, the President's domestic affairs counsellor and chairman of the energy task force operating inside the White House, and the President has now set up a "management task force," also under a White House aide.

On top of this, some of Mr. Carter's advisers, whose discontent with Dr. James Schlesinger, the Energy Secretary, has been an open secret for months, are now reportedly seeking the removal of Mr. John O'Leary, his deputy.

The Energy Secretary himself might be in line for reassignment or sacking, but for the fact that many of the President's political advisers are afraid that he would immediately become a leader of the opposition to the SALT II agreement.

Moreover, in spite of some improvement in communications between the White House and Congress, stumbling blocks persist. Senator Edward Kennedy from Massachusetts, for example, yesterday released a library of Congress study claiming that the costs of decontrolling oil prices over two years were already 80 per cent higher than when Mr. Carter announced the plan earlier in the spring.

General Electric pays 30%

BY JOHN WYLES IN NEW YORK

YET ANOTHER major pay deal, this time covering 117,000 General Electric workers, appears to have breached the Carter Administration's pay policy. Tentative agreement has been reached at GE on wage and benefits increases unofficially estimated as worth more than 30 per cent over three years.

With negotiations between the United Auto Workers and General Motors starting on July 16, the GE settlement has gloomy implications for securing a car industry deal in line with the policy of limiting increases to 22.5 per cent over three years.

General Electric, like General Motors, has been a prominent supporter of the Administration's anti-inflation policy, but faced with two unions prepared to strike and with prices rising at an annual rate of more than 13 per cent, it appears to have turned a blind eye to the guidelines.

GE would not confirm yesterday's unofficial estimates of the size of its tentative agreement, but its ultimate benefits will depend on inflation over the next three years. The agreement contains a cost of living formula which has been modified to yield more generous increases than in the previous agreement.

Thus wages will increase by one cent per hour for every 0.2 per cent rise in the consumer price index instead of a cent for every 0.3 per cent increase, and wages will be adjusted twice a year instead of annually.

The UAW will be seeking similar improvements to its cost of living agreements with GM, Ford and Chrysler, while the rubber workers have already won this and other concessions in their recent agreements with B. F. Goodrich, Uniroyal and Firestone Tyre and Rubber. The Council on Wage and Price *Stability* decided last week that these deals were probably not in compliance with the guidelines and raised the prospect that the offending companies could be denied federal contracts under the sanctions provisions of the policy.

The legality of withholding contracts from recalcitrant companies has now been upheld by the Supreme Court, which has refused to hear an appeal against a lower court ruling affirming the Government's right to impose such a penalty.

Go-ahead for reactor 'will not be rushed'

BY DAVID LASCELLES IN NEW YORK

THE Nuclear Regulatory Commission indicated yesterday that it will not rush into allowing the undamaged No. 1 reactor at Three Mile Island to start up again. Ordering that the reactor remain shut down, it said that it would issue another order in 30 days, detailing the operating conditions which the reactor must meet.

The Three Mile Island number 2 reactor broke down on March 28, precipitating the worst nuclear accident to date in the U.S. The number one reactor was shut down for refuelling at the time, and has not been allowed to start up again. Similar reactors built by Babcock and Wilcox elswhere were also ordered to be shut down until modifications were carried out.

● AP reports from Seoul that South Korea is about to place orders with the U.S. for its seventh and eighth nuclear reactors. This means the order would go to Westinghouse, probably with $1.4bn-worth of Exim-bank loans. The report follows President Carter's visit to Seoul last weekend.

Reuter adds from Manila: The U.S. is withholding export permission on parts for a Philippine nuclear power plant until it is sure that safety standards are met, as part of a worldwide policy, Mr. Richard Murphy, the U.S. ambassador, said.

He confirmed statements by Westinghouse, which is building a $1.2bn nuclear power plant here, that export permission for some of the plant's components had been delayed.

Work on the plant at Bataan, west of Manila, has been suspended by President Ferdinand Marcos pending a public inquiry into all safety aspects after the Three Mile Island accident.

Sandinistas take garrison

MANAGUA — Sandinista guerrillas overran Nicaraguan National Guard garrison in Matagalpa, 55 miles Northeast of Managua, after controlling the city for nearly a month and keeping Government troops pinned down in their barracks.

The Government claimed to have launched a counter-offensive to retake Masaya, 20 miles South of the Capital, but reporters in the area found minimal National Guard activity.

The Sandinistas regrouped in Masaya over the weekend after withdrawing from Managua's eastern slums, which they had held for two weeks.

Mr. Lawrence A. Pezzullo, the new U.S. Ambassador to Nicaragua, has returned to Washington for consultation after five days in Managua, unsuccessfully urging President Somoza to resign.

AP

BRAZILIAN OVER-POPULATION

Where babies breed poverty

BY DIANA SMITH IN RIO DE JANEIRO

BRAZIL is moving cautiously towards an official policy of limiting population growth, after decades of belief that rapid expansion of population would increase the country's international influence.

Between 1850 and 1960 the population of Brazil, which covers 5.5m square miles (over a third of South America) grew by 881 per cent, to nearly 71m. Nineteen years later, the population has risen to 120m, with 60 per cent in urban areas—almost the reverse of the 1960 urban-rural distribution.

Until recently it was maintained that, with the country's immense size, uninhabited northern areas and potential natural resources, 250m people or more would be acceptable.

It is clear, however, that *officialdom no longer favours* "huge population at all costs." Chronic inflation and the difficulties of creating over 1.6m new jobs annually, coupled with the need for at least 600,000 new homes and adequate public services, have become all the more glaring when oil crises squeeze public funds, worsen balance of payments deficits and inflate the foreign debt to $43bn.

Breaking with tradition, the 1974-79 administration of General Ernesto Geisel, introduced divorce despite Church protests, and set up a modest programme in the cities to reduce high-risk pregnancies. The overwhelming majority of pregnancies in poorer women fall into this category.

Doctors are discreetly instructing the poor in basic family planning. If requested, they will tie off fallopian tubes or perform vasectomies. They report heavy demand for sterilisation from impoverished women exhausted by excessive pregnancies, but little demand for vasectomies; this is largely due, they say, to fears of diminished virility.

The new President, General Joao Figueiredo, unlike his predecessor who was a Lutheran, is a devout Roman Catholic. Nonetheless he appears ready to take family planning among the poor a step further: he has proclaimed "responsible parenthood" as a key policy.

The President's use of this term has upset Catholic leaders, who voice hopes that widespread official promotion will not be given to contraceptive methods of which the Church disapproves.

Nevertheless, the Health Ministry is drawing up a national "responsible parenthood" programme, to be coupled with free distribution of proteins. Reports by private family planning bodies are being taken into official consideration, but how much they will be acted on is still unclear.

The urban family planning clinics, run by a private foundation, now offer instruction in contraception to a predominantly middle-class clientele, who increasingly ignore Church strictures.

With more stable birth rates among the upwardly-mobile, the problem of Brazil's population growth lies in abnormally high birth rates among the poorest, unhealthiest strata.

At least 40m Brazilians live below the poverty line, defined as a family income of $800 a year. Unless this "submerged third" can be helped to limit family size and improve their diet, the vicious circle of malnutrition, excessive births, chronic poverty and malnutrition will not only continue, sociologists say, it will spread until the problems of the poor swamp the country.

The problems [illegible]

Brazilian children eat a meal supplied by the U.S. Food for Peace Movement.

number of children left to fend for themselves. Officials admit that Brazil has 15m abandoned children, but unofficial sources put the figure at 17m. This contributes in turn to a soaring rate of juvenile crime.

The inability of the rural areas to feed their inhabitants has resulted in the massive migration to Brazil's cities in the last 20 years, constantly increasing the strain on inadequate urban infrastruc- [illegible] fewer have sewage systems. There are not enough schools, teachers, doctors or welfare staff to cope with the effects of over 3m births a year.

Ironically, almost the only thing containing even faster population growth at the moment is the infant mortality rate, which reaches 200 per 1,000 births in the north-east. It is estimated that it would take a generation to stabilise the population once family plan- [illegible]

W. Germany wary about influx of large cars

By Leslie Colitt in Berlin

NOT LONG ago an American car with West German licence plates had a distinctly underworld connotation to West Germans, who associated Detroit's "road cruisers" with ladies of the night and Levantine carpet merchants.

Several declines of the dollar later, the American car is selling to respectable West Germans, who have decided that it is a relatively cheap way of upstaging the Schultzes next door.

West Germany has overtaken Switzerland and the Benelux countries as the leading European market for U.S. cars, although the 7,000 or so cars sold last year would not appear to warrant concern in the executive suites of West German carmakers. This, however, under-estimates the West German tendency to detect far off dark clouds in an apparently blue sky.

Some West German car industry officials see the current trickle of American car imports—expected to reach more than 10,000 cars this year and 40,000 to Europe—as the opening wedge of a widening stream of American cars on the European market. They recall that in the 1920s American cars rolled over the European competition and that per unit labour costs are now again in favour of the Americans.

GM sales success

As General Motors sell by far the largest number of American cars in Europe the West Germans are wondering if its new X-body European-size cars are not actually competing with GM's West German-built Opels which sell at considerably higher prices.

Until now, however, the West Germans have been buying larger American cars such as the Chevrolet Malibu, which is about the size of a Mercedes 280SE and which costs roughly half the price.

"The buyer of an American car wants comfort and size so that people will be impressed at what he can afford," says Herr Wolfgang Arndt, a salesman at King Cars in West Berlin which deals in General Motors products.

But doesn't he also put a great deal of emphasis on quality? "Yes, but the price is so highly competitive—DM 7,900 (£4,475) for a basic Chevrolet Camaro — that the customer stops worrying about quality gets dependability and comfort," says Herr Arndt.

The trade-in value of American cars, he suggests, is about the same as for most large West German cars except Mercedes.

A growing number of direct importers, so called "grey dealers," are entering the market offering a Chevrolet Malibu Classic for DM 18,000 with standard equipment which a GM dealer would normally sell for DM 19,150.

Shortage

One of them, Fauth Automobile in Berlin has been in business for half a year and says the main problem is getting enough cars. They simply can't get enough Buick Regals, which sell at between DM 29,000 and DM 36,000. In a society where money increasingly determines a West German's place in it office and factory workers are also showing an interest in American cars, and often care little about the reputation these cars might have for inferior quality."

One serious problem, according to dealers, is obtaining spare parts as the depots in West Germany, Belgium and The *Netherlands* are described as too small and customers are tired of having "every fender airfreighted from the States."

West German News reports on the new model American cars acknowledge that they are quiet, with "butter-soft automatic shifting" and power steering that makes them "ideal to park" for women. One auto tester even went so far as to say that driving an American car was "relaxing" and made it easier to take the "warfare on the road" in West Germany.

Th most damaging test report on American cars appeared in the West German Automobile Association ADAC magazine.

While automobile safety was "talked about much more in America than in Europe the X cars neglect almost everything associated with interior safety in Europe."

'Unsafe'

While the cars were "comfortable to ride in," he said they should only be bought equiped with special shock absorbers for export as the American ones provide a ride that is "unsafe at any speed."

Another West German who tested several of the new U.S. cars summed up his impressions by noting that they were basically "consumer goods like a washing machine."

One exception, he said, was the large six-cylinder engine in certain cars, which he described as "quiet, smooth and indestructible."

Nissan may exchange car technology with Europe

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

NISSAN MOTOR Company would be willing to supply its car exhaust emission control technology to any interested European motor manufacturers, the company's president, Mr. T. Ishihara, told foreign journalists here.

Mr. Ishihara said he did not think that "purely Japanese" motor manufacturers (such as Nissan and Toyota) could afford to remain isolated while manufacturers elsewhere were entering into tie-ups of various kinds.

He noted that recent technology-sharing agreements between motor manufacturers had involved companies of equal strength and had not been merely examples of "the strong helping the weak" as in the past.

International tie-ups involving Japan include Honda Motor Company's agreement with BL, formerly British Leyland, and the capital stakes of General Motors, Ford and Chrysler in Isuzu, Tokyo Kogyo and Mitsubishi Motors Corporation.

Nissan and Toyota, the two biggest Japanese motor manufacturers, have steered clear of foreign involvements but Mr. Ishihara implied that he felt it would be wise for them to seek closer relations with other manufacturers in the near future.

He suggested the supply of emission control know-how to European car makers on the ground that this is an area in which the Japanese industry is technically strong while Europe is weak. This could be required by European manufacturers seeking to enter the Japanese market.

Mr. Ishihara did not say what Nissan would want in return but did indicate that the company plans to increase its production of frontwheel drive cars in future as part of the battle to remain competitive in the face of the U.S. motor industry's advance into the small car market. Frontwheel drive technology is thought to be an area in which European motor industry enjoys a substantial lead over Japan.

Other areas which Nissan is stressing include the design and production of small diesel engines for passenger cars and the use of mini-computers to control fuel injection systems.

Nissan conducted a sweeping reorganisation of its management structure early this year, part of whose object was to improve the company's capability in the field of product development.

The reorganisation included the appointment of six engineers to top management posts. The company also decided early this year to build a ¥50bn (£104m) product design centre at Atsugi, outside Tokyo.

Apart from its drive to improve product design Nissan is setting itself ambitious energy saving targets. Mr. Ishihara said the company would attempt to cut energy consumption by 10 per cent in each of the next three years.

EEC 'discrimination' criticised

BY HUGH O'SHAUGHNESSY

THE DISCRIMINATION "exercised in almost every sphere" by the EEC in trade was sharply criticised by Sr. Julio Cesar Turbay, the President of Colombia, at a lunch in London yesterday.

President Turbay completes his three-day official visit to Britain today with a visit to the Longannet coal mine on the northern shore of the Firth of Forth and lunch with the Queen at Holyroodhouse.

The Colombian leader, who leaves for Brussels today, said that he would complain to the EEC about the obstacles standing in the way of the expansion of trade between the Community and the Andean Pact countries.

At a meeting at the Colombian port of Cartagena just over a month ago the pact countries—Colombia, Venezuela, Ecuador, Peru and Bolivia—agreed *to give President Turbay a wide* ranging economic brief to speak on their behalf on his current tour of Europe.

Sr. Turbay said that Britain's surplus on trade with Colombia over the past three years had gone from $26.6m in 1976 to $57.7m last year. He said Colombia's inability to sell more in Britain was because of restrictions imposed on its members by the EEC and the favoured treatment given to the signatories of the Lome Convention.

At the same time he appealed for greater British direct investment in the manufacture of high technology items and export products. There was no fear of any threat to foreign capital in his country, he claimed.

President Turbay's defence and finance ministers had talks yesterday with the defence sales organisation of the Ministry of Defence, British Shipbuilders and the Export Credits Guarantee Department.

Among the Colombian projects in which British industry hopes to participate are the exploitation of Colombia's vast coal reserves in the Guajira Peninsula and the building of underground railways in Bogota and Medellin.

Malta to lift textiles ban

BY GODFREY GRIMA IN VALETTA

Mr. Dom Mintoff, the Maltese Prime Minister, has announced that his Government will lift its ban on the import of textiles from Britain following a new accord reached with the *EEC. The agreement covers new* textile export quotas from Malta.

Britain, under the new arrangement, had agreed to raise Malta's quota for trousers from 400,000 to 800,000 for the current year. Quota increases have also been agreed for blouses and yarn, Mr. Mintoff told the Maltese Parliament.

The decision to ban textile imports from Britain was taken last November when Britain insisted *EEC textile quotas affecting* a number of countries be adhered to.

Mr. Mintoff said Britain was now free to reopen the British Council offices, which had been shutdown by the Government because of the dispute.

Northrop awarded $500m Boeing parts contract

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING has awarded Northrop of the U.S. a contract worth more than $500m (£230m) to build a further number of fuselage panels and main deck passenger and cargo doors for the Boeing 747 Jumbo jet.

Northrop has built these parts for the 747 for many years, and earlier this month completed delivery to Boeing of parts for the 400th 747.

Each 747 fuselage built by Northrop's Aircraft Division in Hawthorne, California, consists of 27 different panels, the largest weighing more than two tons. Northrop also builds nine cargo and passenger doors for each 747.

Boeing said recently that total orders for the 747 to date amount to over 480 aircraft, with deliveries totalling over 370. Boeing expects to build up to 1,000 747s by the end of the 1980s.

Production, at seven Jumbos a month, is sold out through to early 1983, and orders are still flowing in at a record rate.

Meanwhile, Indonesia is likely to buy three C-160 transport planes worth a total $90m (£43m) and manufactured by the West German-French Transall consortium, Reuter reports from Takarta.

Transall said the three planes will be civilian versions of the model now used by the West German, French and Turkish air forces, and will operate in Indonesia's Transmigration programme, under which 2.5m people from over-populated Java and Bali will be resettled in other islands over the next *five* years. It was hoped a contract for delivery of the three planes in early 1982 would be signed with the Indonesian Communications Ministry within the next few weeks.

● Libyan Arab Airlines has ordered Racal-Milgo data communications equipment for its seat reservation system, bringing the total value of airline business won by the British concern in the Middle East and Africa to more than £1.5m.

Canada's U.S. car trade deficit rises

By Victor Mackie in Ottawa

CANADA'S automotive trade deficit with the U.S. leapt to C$336m (£133m) in the first three months of this year, up from C$62m (£25m) in the same period a year ago. At the same time, the deficit in automotive trade with other countries increased to C$109m in the January to March period, up C$31m on the same period in 1978.

The Statistics Branch of the Canadian Government said that a worsening of the chronic deficit in vehicle parts was to blame for the latest decrease in automotive trade with the U.S. Imports of all automotive products from the U.S.—including fully manufactured cars and trucks, as well as parts—increased to C$3.81bn in the January-March period, up 38 per cent from the same period a year ago. Exports rose 28 per cent to C$3.47bn.

Imports of parts from the U.S. rose 40 per cent to C$2.54bn, while exports increased 37 per cent to C$1.38bn.

France-Soviet contract

SERETE, THE French engineering firm, has been awarded two contracts worth a total of FFr 63m (£6.8m) by Stankoimport, the Russian state importing agency, reports AP-DJ from Paris. One contract, worth FFr 42m, involves the supply of a unit for making frames for the construction industry. The other, for FFr 21m, entails the construction of a factory producing door-closing devices.

Impresit wins dam order

BY PAUL BETTS IN ROME

IMPRESIT, the civil engineering subsidiary of the Turin-based Fiat group, has won a $170m contract for the construction of a dam on the river Rima in north western Nigeria.

This will be the second dam to be constructed in Nigeria by Impresit for the Nigerian Sokoto-Rima River Basin Authority.

Impresit has already completed construction of a similar dam at the Sokoto River where it also won contracts estimated at more than $300m for irrigation and agricultural development.

Oil demand raises Brazil deficit

BY DIANA SMITH IN RIO DE JANEIRO

BRAZIL'S TRADE deficit for the first five months of this year increased to $591m after a May deficit of $148m. The estimated deficit for 1979 is now between $1.5bn and $2bn.

The culprit is the 950,000 barrels a day of oil Brazil purchases abroad. OPEC price increases have thrown calculations off balance, dashed hopes of a 1979 trade surplus or even a balance to offset the $6.5bn current account deficit, and led to gloom in government circles *which have abandoned the artificial* optimism and masking of problems of past administrations.

Even if there is not another OPEC increase before December and the authorities are not banking on this, oil imports will cost between $6.5bn and $7bn this year of an estimated total of $15.5bn to $16bn imports. This compares with oil outlays [illegible] $13.5bn in 1978, which ended with a $988m trade deficit.

Exports, meanwhile, grew by 18.4 per cent to $5.6bn in the first five months of 1979. But whatever the performance of manufactured goods which is constantly improving, and coffee prices, pushed upward by effects of a late May frost which destroyed part of the harvest, there is virtually no hope of offsetting the oil bill. The Government is pleading with industry to save fuel oil—responsible for over 30 per cent of consumption of derivatives.

The price of petrol—24 per cent of all derivatives consumed—will rise for the third time this year in August. So far, the higher price of petrol mixed with 20 per cent sugar cane alcohol does not appear to have acted as a deterrent to motorists. [illegible] grammes: first alcohol, with a $5bn investment over the next six years, then coal, as an industrial substitute for fuel oil. Brazil has reserves of 12bn tonnes of low-grade high ash coal, that once seemed useless but with the new technological developments can be reasonably processed.

French, Polish and British interests are vying for access to Brazil's coal processing activities. No decision has yet been made.

Meanwhile, universities and technology centres are researching everything from coconuts, cassava to wild quince as a fuel source.

Although the authorities deny it, the likelihood of some form of petrol and fuel oil rationing appears more probable each day unless manufacturers and the driving public [illegible] non-essen- [illegible]

Stein 'told aide to shred casino files'

BY JAMES BARTHOLOMEW

MR. CYRIL STEIN, chairman of the Ladbroke Group, told Mrs. Janet Ballard when she was his *personal assistant to* destroy files on the casino operation followin ga police raid at one of the group's offices, it was alleged at South Westminster magistrates' court yesterday.

Mrs. Ballard recounted the story under examination by Mr. Michael Kempster QC on behalf of the police. The police and the Playboy Club are objecting to the renewal of three of Ladbroke's London casino licences. Mr. Kempster had warned the justices on Monday that Ladbroke might try to put forward a scapegoat or "sacrificial victim" but maintained that the alleged faults went right through to the centre of the Ladbroke Group.

Mrs. Ballard said that she was telephoned by Mr. John Morriss, a director of Ladup, who said that one of the offices was being visited by police and he thought Chancel House, Mr. Stein's office, might be next on the list.

She reported this conversation to Mr. Stein when he came in next morning. He ignored her, said Mrs. Ballard, walked past and said: "Well, I have got nothing to hide."

Mr. Stein went into his office and telephoned Mr. Morriss. Then he returned to Mrs. Ballard and said: "Let's go through this," meaning her drawer with casino files. He threw them all on to the floor saying: "We don't need that, we don't need that," and, according to Mrs. Ballard, he told her to destroy the files in the shredding machine.

Earlier in her evidence Mrs. Ballard said that Mr. Stein was "very considerably involved" in Ladup, the main casino operating subsidiary of the Ladbroke Group. He chaired the monthly senior management meetings, she said, and would see Mr. Alex Alexander, the managing director, every day he was in town.

She said she had seen a document about Mr. Andreas Christensen, once the casino marketing director, in Mr. Stein's briefcase. The document listed a number of items including the identification of car number plates, contact with non-members and "arrangements made on one occasion for a 'hostess' to be sent to hotel suites."

Also seen by Mrs. Ballard in Mr. Stein's briefcase were two letters from Mr. Christensen, one of them referring to "*part-time females employed* to solve a particular problem."

In the course of his cross-examination of Mrs. Ballard, Mr. John Matthew QC, on behalf of Ladup, said that Mr. Christensen had gone off to a newspaper reporter and given confidential information. This found its way to Private Eye, the fortnightly satirical magazine. There had also been leaks to the magazine "from some official sources," he said.

Earlier Mr. Frederick Anslow, a member of Crockford's club, said he had been invited to dine at a Ladbroke club and Sergeant Robert Bean said he had obtained about 15 names of owners of prestige cars from the police computer for a single officer.

Meanwhile in the High Court Lord Widgery, the Lord Chief Justice, Lord Justice Shaw and Mr. Justice McNeill refused leave for two Ladbroke subsidiaries to apply for an order prohibiting the South Westminster magistrates from hearing the allegations of corruption of police.

A-plant leak brings 70 claims

BY LISA WOOD

UNION OFFICIALS are assessing more than 70 claims against the Ministry of Defence arising from a plutonium leakage at the Atomic Weapons Research Establishment, Aldermaston.

Leading counsel are being consulted on behalf of workers at the establishment which was partly closed last August after the discovery of cases of inhaled plutonium. In sufficient quantities inhaled plutonium can cause lung cancer and leukaemia.

Compensation claims—for exposure to a hazard and a reduction of life-expectancy—have been submitted by shop stewards to the legal departments of four unions.

The action comes after an inquiry by Sir Edward Pochin, the radiologist, whose report to the Government in November identified deficiencies in plant procedure, building design and staffing at the Berkshire establishment.

At Transport House, Mr. Albert Blighton, legal secretary for the Transport and General Workers' Union, said: "We are taking medical opinion on between 35 and 40 cases."

A further 30 claims are being examined by the union while the builders' union is examining four and the electricians' union two.

Claims for compensation are complicated because claimants have to determine attributability—evidence of exposure to a risk unique to occupation. They have to show that there has been exposure over a length of time in which there is statistically increased incidence of the disease when compared with the general population.

Sir Edward's investigation at Aldermaston was launched after radioactivity checks showed that three women at a special laundry had twice the level of plutonium in their bodies permitted in international safety recommendations. Nine men were also contaminated in a research block.

In September the Ministry of Defence accelerated the rate of monitoring for its remaining plutonium workers.

Union officials said yesterday that *shortages of parts* have delayed completion of Aldermaston's first whole body monitor; a £500,000 scanner that can detect minute quantities of plutonium contamination. It should have been ready this month, but is now not expected to be operational until August.

The last of Aldermaston's 2,000 industrial workers who have to be tested, in some cases for a second or third time, have meanwhile to go to Harwell, or Winfrith, Dorset, for whole body tests.

Four-star petrol prices raised by BP, Texaco

BY SUE CAMERON

BP OIL and Texaco put up the prices of their petrol and other oil products last night. BP Oil added 7.5p to the wholesale price of a gallon of four-star, and Texaco 6.8p.

Both companies said their increases took account of the higher crude oil prices announced last week by the Organisation of Petroleum Exporting Countries. This is in contrast to rises announced on Monday by Shell Oil UK, which covered only pre-OPEC increases in cost of North Sea and Kuwaiti crudes.

Texaco is understood to take about half its crude oil from Saudi Arabia, and to import roughly half its petrol for the UK from the Continent.

But its wholesale rises are understood to take account of the high cost of importing petrol to the UK and of the Saudi decision to backdate her latest crude price increases to June 1.

Saudi marker crude rose to $18 a barrel after the OPEC meeting in Geneva last week.

The new price for Saudi marker crude is still lower than those charged by other OPEC members. This could give companies like Texaco something of an edge when it comes to petrol pricing.

BP Oil stressed yesterday that it had no access to supplies of the cheaper Saudi oil. Its latest wholesale rises covered not only the OPEC increases announced last week, "but also previous increases in crude oil prices made in the second quarter which were not recovered in the last increases in scheduled prices made on May 25."

BP Oil is understood to take about 40 per cent of its crude from the North Sea. It obtains some supplies from Kuwait. Both North Sea and Kuwaiti prices rose substantially last month.

BP Oil has added 7.5p to all its grades of petrol. It has put up the wholesale price of a gallon of derv by 6.2p; gas oil by 6.8p; standard grade kerosene for domestic heating by 7p; light fuel oil 6.4p; medium fuel oil 6.1p; heavy fuel oil 5.9p; and derv, for customers who have their own storage, 7.1p.

The company said last night that it "reckoned" the price of a gallon of four-star at the pumps would go up to something in the region of 115p.

This was a lower estimate than Texaco's, which suggested that four-star pump prices would rise to 118p to 122p a gallon.

Texaco has put up the wholesale price of a gallon of three-star by 7.3p; two-star by 8p; derv 7.3p; gas oil and regular burning oil 6.8p; light and medium fuel oil 5.9; and heavy fuel oil 4.5p.

Tax relief plea to aid Teletext sales

BY MAX WILKINSON

BRITISH television manufacturers are pressing the Government for subsidies or tax relief to help stimulate the market for Teletext and Prestel receivers.

The Teletext system allows a domestic set to receive pages of text and graphics transmitted from a central computer over normal television channels.

Prestel is a similar information system in which the set is connected via the telephone network to Post Office computers. It was launched for domestic users in the London area earlier this year.

Since Teletext became available on the BBC and independent networks two years ago, response from the public has disappointed television manufacturers.

About 20,000 sets are now in use, of which about 10,000 were sold last year. The sets adapted to receive the two Teletext services—the BBC's Ceefax and the independent television's Oracle—are selling at the rate of about 2,000 to 3,000 a month.

However the manufacturing industry would like sales to increase to perhaps 300,000 sets a year or about a fifth of the annual sales of colour sets. At such a volume, they believe they could lower the price sufficiently to make the sets generally attractive to consumers.

High premiums

At present a 22 inch remote-control colour set with a Teletext decoder can be bought for £440. That is £62 more than the equivalent remote-control set and £182 more than the standard 22-inch colour set.

Manufacturers would like to be able to reduce the premium for Teletext and the remote control which is an essential part of such a receiver.

Talks with the Department of Industry before the election resulted in an outline agreement that the Government should be asked to help the industry at a cost of £5m to £7m a year.

However, the election halted the scheme and the industry has made a renewed application to the present Government.

One idea being canvassed is that sets incorporating Teletext adapters should be zero-rated for value-added tax. It is argued that the scheme would not cost the Government anything because sales of such sets are so small.

The zero-rating would, therefore, apply to sales which would not have existed without the special fiscal stimulation.

The argument is being pressed with special vigour in respect of Prestel sets. They are expected to become generally available towards the end of the year or the beginning of next.

Prestel sets, which all incorporate Teletext adapters, at present cost well over £1,000. The Post Office and the manufacturers are anxious for the price to be brought down to perhaps £100 more than the cost of a standard set. But such a reduction would imply a large volume of sales.

Government intervention is therefore being urged as "pump-priming" to stimulate the development of an important British invention.

Phillips may reveal oil find this week

BY SUE CAMERON

THE U.S.-BASED *Phillips Petroleum* is expected to make an announcement about a possible oil find in the North Sea later this week.

But last night rumours that the company may have discovered a giant new oilfield on block 16/17 were being discounted by oil industry sources.

Phillips said it had drilled a wildcat well on block 16/17, which is off the North East tip of the Scottish coast near to the line that divides the British and Norwegian sectors of the North Sea. It added that the well was on a separate structure to those *of the nearby Thelma and Toni* discoveries.

It is believed that Phillips' wildcat well may be on one of the pockets of oil known as the string of pearls which are thought to stretch from the Brae block 16/7 down through blocks 16/12 and 16/17.

Recoverable reserves on the *South Brae field, which* covers one of these pockets, are estimated at between 200m and 250m barrels of oil. This is small compared to a big field, like Forties, which initially had estimated reserves of 1.8bn barrels.

Benn hits at Tory energy policies

By Christian Tyler, Labour Editor

MOST OF the present oil shortage could have been avoided if the Government had used powers of supervision that it inherited from Labour, over supply, pricing and distribution of oil, Mr. Anthony Wedgwood Benn claimed yesterday.

The former Energy Secretary, who has returned to the back benches, said that Britain, almost self-sufficient in oil, was entitled to see supplies "safeguarded without profiteering."

He attacked the Government's energy policy in a speech to the National Union of Mineworkers' conference in Jersey, where he was listened to with much head shaking by Mr. John Moore, Minister responsible for the coal industry at the Department of Energy.

Mr. Benn aimed his main criticism at the Government's determination to press ahead rapidly with a nuclear power programme.

"*There should be no major* expansion of nuclear power in Britain until further progress has been made in solving the problem of nuclear waste disposal

"A crash nuclear programme decided in secret now, before a full study of the Harrisburg accident and the Windscale leaks, has been completed and published, would be quite wrong, and this should be made clear to the Government now."

DC10: Laker may sue

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SIR FREDDIE LAKER, chairman of Laker Airways, urged the U.S. civil aviation authorities yesterday to end their ban on foreign-registered DC-10 jet airliners flying to America and hinted that he would sue for damages.

"Every day the Federal Aviation Administration, the National Transportation Safety Board and the State Department continue with their illegal ban on the entry of British-registered and properly certificated aircraft into the U.S. could subsequently prove very expensive in the courts," he said.

The DC-10s, of which there are over 270 in the world, were grounded late in June after the crash of an American Airlines aircraft in late May at Chicago, killing 273 passengers and crew.

After the introduction of new maintenance and inspection procedures, foreign-owned and registered DC-10s have progressively resumed flying.

But the U.S. has kept its own DC-10s grounded, and refused to allow foreign-owned DC-10s into its airspace.

This has particularly hit British Caledonian, which has three DC-10s, and Laker, which has six. Caledonian used the aircraft on its route to Houston, and Laker on its Skytrain flights to New York and Los Angeles.

Meriden unlikely to get £1.2m waiver

By John Elliott and Arthur Smith

THE GOVERNMENT is expected to announce during the next few days that it is not prepared to waive payment of £1.2m interest on state loans that the Meriden motorcycle workers' co-operative should have paid to the Department of Industry by last Saturday.

This emerged last night after a 90-minute meeting between Lord Trenchard, Minister of State for Industry, and Mr. Geoffrey Robinson, Labour MP for Coventry NW who is the co-op's managing director. Mr. John Silkin, Labour spokesman on industry, also attended part of the talks.

Sir Keith Joseph, Industry Secretary, is now expected to give his final veto on the co-op's plea for the interest to be waived. This will then pose the problem of how much longer the co-op can stay in business.

The 720-strong work force has already agreed to 150 redundancies and short-time working. Production has been cut from 300 machines a week to 200 because of a mounting stock of unsold vehicles.

Mr. Robinson has insisted that, even with its problems of over-production, the co-op is on target for "a break-even financial result." That projection, however, assumed the waiving of the interest payments.

He has repeatedly expressed confidence that support would be forthcoming from the Government. Shortly after the general election, he declared: "I think the Government will be sensible. If the money is not there, we cannot pay it. To close us would simply mean that everything was lost."

The £1.2m interest arises from a £4.2m loan provided by the Government when the co-op was founded four years ago with the help and encouragement of Mr. Anthony Wedgwood Benn, who was then Industry Secretary.

Another of the three co-ops founded at the same time, Scottish Daily News, foundered after only a short life. The third co-op, Kirkby Manufacturing and Engineering on Merseyside, has also closed and its assets are now being sold.

Postal charges rise from August 20

BY JOHN LLOYD

THE POST OFFICE is to raise postal charges by 1p on domestic first and second-class mail from August 20. Parcel mail will go up by 14 per cent and overseas mail by 30 per cent on average.

The Mail Users' Association, which had threatened to refer the corporation to the Advertising Standards Authority if the increases were brought in before that date, yesterday claimed credit for delaying them for three or four weeks.

The association maintained that the Post Office would not honour its commitment to give mail users three months' notice of tariff increases if it applied them before August 20.

Telephone charges, which have been stable for the past three years, may rise later this year. The Post Office matrials, coupld with th believes that dearer labour and materials, coupled with the higher value-added tax announced in the Budget, may make it impossible to hold charges much longer.

Profits in the telecommunications business over the financial year 1978-79 will be at roughly the same level as last year's but significantly lower as a proportion of turnover.

EEC lends £93m in bid to boost coal output

FINANCIAL TIMES REPORTER

THE European Commission is to lend £93m to the National Coal Board for a range of projects designed to increase output and efficiency in Britain's pits.

The loan, expected to be at rates slightly below prevailing interest rates, will be used for 13 projects in Yorkshire, Lancashire, Nottinghamshire and South Wales.

Te funds will largely be used to open new faces and improve facilities in existing pits. The NCB's investment strategy now tends to favour extending capacity in working pits, where output can be increased more quickly, rather than opening up new capacity, where delays are mounting. The project includes:—

- The re-organisation of Wooley Colliery, near Barnsley, where facilities will be constructed to handle the output from seven other collieries in the area.
- Measures to increase output at Frickley and Bentley collieries in the Doncaster area.
- The opening of new reserves at Merthyr Vale colliery, and the development of anti-pollution measures and improved washing facilities at Aberpergwm central washery, in South Wales.
- The provision of new loading and hoisting machinery at Markham Main, Shireoaks and Yorkshire Main collieries in Yorkshire, Thoresby Colliery in Nottinghamshire, and Bickershaw colliery in Lancashire.

Talks today on Massey cuts plan

By Ray Perman

MASSEY FERGUSON's proposal to transfer production of combine harvesters from the UK to France, with the loss of 1,000 jobs at Kilmarnock, will be discussed today when unions meet Mr. Victor Rice, the company's president.

The company has so far given no date for the proposed move, which it says is still being considered.

Mr. Rice has said he will also consult local and national government about the consequences of the transfer, which would end combine harvester production in Britain.

The unions maintain that production of the machines at Kilmarnock—about 1,100 a year—is profitable. A transfer to Marquette, France, would worsen the balance of payments by £26m a year, since Kilmarnock exported machines worth £14m and produced £12m for the home market.

Massey says that labour costs are not a factor in the decision: overheads at the larger Marquette plant are lower.

"At the moment we have two plants in Europe manufacturing combines to a total volume that our major competitors manage from one plant. We have excess capacity in Europe which we cannot afford,"

Matisse portrait at £720,000 sets two auction records

A MOST etraordinary price of £720,000, ot which must be added an etra 11.5 per cent in buyer's premium and VAT, was paid at Christie's yesterday for a portrait of a young sailor by Matisse. It was more than double the previous auction record for the artist, the highest price ever paid for a 20th century work of art, and among the top 10 highest prices ever paid in a saleroom.

SALEROOM

BY ANTONY THORNCROFT

Entitled "Le jeune marin," the work was painted in 1906 and was sold to an American bidder. The vendor was Mrs. Sigri Welhaven, of Oslo, whose first husband was a pupil of Matisse when he ran a painting school. It was the highest price in an auction of Impressionists which totalled £2,900,200 for 73 lots, a record for an Impressionist sale at Christie's.

Another high price was the £180,000 paid by the Cologne dealer, Galerie Abels, for a Renoir portrait of his five-year-old second son, Jean.

An auction of Victorian paintings at Sotheby's, Belgravia brought in £279,687,

Matisse's "Le jeune marin."

Two men charged with false accounting

BY MICHAEL LAFFERTY

A PARTNER in City accountants Tansley Witt and the tax manager of William Press, the audit firm's construction company client, were charged yesterday with false accounting.

The move follows charges last month against 11 William Press employees, including the managing director, Mr. Raymond Daniels, and the finance director, Mr. Alan Gravelius. All are charged by the Inland Revenue with conspiracy to defraud the tax authority and have been released on bail of £284,000.

The Tansley Witt partner, Mr. Edward L. C. Swaysland, and the tax manager charged yesterday, Mr. Brian J. Buckley, were not arrested.

The charges follow a 15-month investigation into alleged taxation offences involving payments to labour-only sub-contractors.

William Press has stated that it will "vigorously defend the charges." Tansley Witt refused to comment yesterday.

Mr. Swaysland and Mr. Buckley are charged with "false accounting" under Section 17 of the Theft Act. Each summons is returnable at Bow Street Magistrates' Court on September 6—the date to which the other charges have been adjourned.

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Motorway food checks about to start

A TEAM of catering catering consultants is about to descend on Briain's motorway service stations to taste the food and inspect the facilities as part of an incentive scheme designed to reduce rents for operators who meet agreed standards.

The eight-person team, from *Greene, Belfield-Smith*, a London-based catering and hotel advisory company, will report back to the Ministry of Transport.

Mr. Dennis Hearn, chairman of the committee of Motorway Service Area Operators, said that after the Prior Committee investigation into service areas, which concluded that rental contracts should be renegotiated his committee and the Department of Transport agreed it would be beneficial to have an objective system of rating the catering operations.

Over the next year studies will be made by the consultants at different times of the day, and the services will be awarded points on quality of food, cleanliness and pricing.

Mr. Hearn said: "The department will add its own observations. That will result in a point-scoring system upon which the department will base some of the reductions in rent recommended by the Prior Committee."

Shipping chiefs seek decision

By Ian Hargreaves

BRITISH SHIPBUILDERS has told the Government that it wants a clear-cut decision about future levels of financial support and yard closures.

The corporation has now completed its submissions to industry ministers and is awaiting that response to a revised five-year corporate plan.

Ministers have been told that further yard closures are imminent unless more work is found. Govan Shipbuilders on the Clyde is the biggest yard at risk, although several other small yards are also virtually without work.

The corporation overall has a merchant ship order-book of 900,000 gross registered tons, which is less than a year's normal output.

British Shipbuilders' corporate plan calls for a 30 per cent reduction in the 29,000-strong merchant shipbuilding workforce. Redundancies are also expected in engine building and repair subsidiaries.

The previous Government's policy was a "step-by-step" approach to the work shortage problem, coupled with a £250m cash limit on aid this year.

Ministers have already indicated in talks with British Shipbuilders that the industry can expect less generous terms.

WIMBLEDON

BY JOHN BARRETT

Borg's pace and power destroy Okker in three sets

BJORN BORG, in his most commanding form, cruised confidently into the semi-finals of the men's singles at Wimbledon yesterday by destroying Tom Okker 6—2, 6—1, 6—3 in 67 minutes.

It was the 26th match in these championships without defeat for the 23-year-old Swede, who last lost at Wimbledon in the 1975 quarter-finals and has captured the title three *times* since then.

Okker, at 35, was the oldest of the players to reach the last eight yesterday, and had not beaten Borg for four years. He is a dangerous opponent, as he proved last year by reaching the semi-finals at Wimbledon, where he lost, again in straight sets, to Borg.

In yesterday's match, however, he was never able to offer the remotest challenge to Borg's pace, power and almost uncanny accuracy and consistency. After losing the first four games and conceding 11 points in succession, Okker finally obtained slight relief when a Borg back*hand hit the top of the* net. "Missed one," Okker smiled at his relentless opponent.

The relief was brief. Soon the first set had slipped away in 21 minutes. The second went the same way in exactly the same time, with Okker able to salvage only one of his four service games.

Though the Dutchman was able to bring a measure of respectability to the third set, he was broken crucially in the sixth game. Borg had won his match in faster time than any of the women's quarter finals on Monday. Okker never broke the champion's service, and had only one break point in the match.

It was, as Borg agreed afterwards, the easiest quarter final he has ever had at Wimbledon. "I was playing well, but Tom was missing a lot of easy volleys and he didn't hit too many returns, either."

The Centre Court saw Roscoe Tanner in impressive all-round form, as he put out Tim Gullikson, Saturday's conqueror of John McEnroe, in competent fashion 6—1, 6—4, 6—7, 6—2.

Though Tanner's serve may no longer be the fastest in men's tennis, he has compensated by improving his volleying and his backhand to the point where he no longer needs to rely on booming deliveries to win him the points.

In the first set, which lasted a mere 21 minutes, the only ace was served by Gullikson, but Tanner put 15 of his 22 first services into court.

After that, Gullikson, who had won both their previous matches, fought back in determined fashion, only to lapse fatally in the ninth game, when he was broken by a crushing cross-court forehand, leaving the burly Tanner to serve out safely and go two sets up.

In the same game of the third set, Tanner again had a break point to lead 5—4. This time Gullikson was equal to the occasion, saving it with a backhand volley punched away confidently and holding serve with an ace, his sixth of the match.

Gullikson's dogged persistence brought him victory in the third set tie-break, as he clung onto his lead after a Tanner double fault and a lucky net cord had put him 3—0 ahead.

Tanner was not to be denied. Another service break in the fourth game of the final set put him 3—1 up. When Gullikson served again at 2—5 to stay in the match, it was finally all too much for him. Tanner reached match point with a marvellous forehand return of service and on the next point struck a backhand service return past a well-beaten Gullikson.

It is the third time Tanner has reached the semi-finals. The other occasions were in 1975 and 1976.

Mortgage rate 'must rise'

BY EAMONN FINGLETON

BUILDING SOCIETIES need to raise their main mortgage interest rate by at least one point to adjust to the Budget increase in minimum lending rate, the Alliance Building Society said yesterday.

Mr. Roy Cox, Alliance's chief general manager, said that societies should increase their basic savers' rate from 8 to 9 per cent tax-paid.

This would take the mortgage rate to a record of 12¾ or 13 per cent, compared with 11¾ per cent at present. The previous record mortgage rate was 12¼ per cent, reached in the sterling crisis at the end of 1976.

The council of the Building Societies Association will discuss societies' interest rate structure at its meeting on Friday of next week. There is strong pressure from smaller societies for large increases in both the mortgage and savers' rates.

Mr. Cox said the societies' net inflow of savings fell to only £100m in June, well short of what they needed to keep up the supply of mortgages.

"Most people would rather pay a higher rate and get a mortgage than not pay and not get a mortgage."

His remarks were based on the present level of minimum lending rate, but he was not so optimistic as others about an early reduction in MLR.

Mr. Cox was speaking at the launch of a low-tax investment scheme *offered* jointly by Alliance and the Family Assurance Society, a friendly society which provides life insurance.

The new scheme will require a lump sum investment of £1,100 deposited with Alliance and this will be progressively used to pay premiums on a 10-year life insurance plan with Family Assurance, which will re-deposit the money with Alliance and earn an interest rate linked to the basic deposit rate.

Family Assurance's advantage is that as a friendly society it can reclaim tax deducted by Alliance from the interest rate.

Alliance says that if the present building society deposit rate were maintained throughout the period, the pay-out for each £1,100 would be £2,657, tax free for a basic rate taxpayer. That represents an annual net return of more than 10 per cent, which the Alliance claims is the best return from any comparable savings vehicle.

Heathrow congestion 'severe from 1981'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

HEATHROW AIRPORT will reach its peak capacity of 30m passengers a year in 1980, and severe congestion can be expected soon after.

This warning was given yesterday by Mr. Norman Payne, chairman of the British Airports Authority, who told the Airline Public Relations Organisation that some airlines would not be able to expand their operations at Heathrow and would be obliged to move to Gatwick.

But even with such transfers, congestion would still be severe from 1981 until the fourth passenger terminal became available in 1984—assuming that the Government approved such a development, which is by no means a foregone conclusion.

Mr. Payne said the airports authority's assumptions were based on continued traffic growth in spite of fuel shortages and price increases.

But the planners, in making their forecasts, had built in some tough assumptions on fuel costs, and still remained convinced of an average annual growth rate of about 8 per cent.

Even with a fourth terminal at Heathrow, raising that airport's capacity to 38m passengers a year, and a second terminal at Gatwick, raising capacity there to 25m a year, there would still be a need for a third major airport for London in the late 1980s.

All the airports in the South-East (including Heathrow, Gatwick, Stansted and Luton) collectively handled 37m passengers a year in 1978. This would rise to 50m by 1983, and 70m by 1988. By the 1990s, it would be more than 90m a year.

But even with the proposed new terminals, Heathrow and Gatwick together would only be able to provide capacity for 63m passengers a year by the mid-1980s, so that further traffic growth would have to be handled elsewhere.

Mr. Payne said the proposed third major airport would need to come into operation by 1987 at the latest.

While the airports authority awaited the Government's decision on where that airport should be sited, it felt that the two sites on the "short list" closest to London—Stansted and Willingale in Essex—offered the best solution.

W. Greenwell supports change in monetary control system

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

FURTHER support for a change in the present system of monetary control comes today from stockbrokers W. Greenwell.

The firm, a leading City authority on the gilt-edged market, comments on an article in the recent Bank of England quarterly bulletin on monetary base control. This focuses on the total of bankers' deposits with the Bank of England. This issue is being reviewed by both the Bank and the Treasury at present.

W. Greenwell proposes that the present control system of a reserve asset ratio supported by the corset restrictions on eligible liabilities should be abolished and, in its place, banks should be required to hold deposits with the Bank.

The brokers claim that many bankers and officials of discount houses appear to be attracted by the clear-cut environment which it could provide.

"There appears to be a general desire to move away from the present system of doubt about whether the Bank will act or not—with bankers being kept on tenterhooks wondering if the Bank will supply a deficiency in the quantity of reserve assets before a banking make-up, discount houses being forced night after night to go to the Bank for huge quantities of assistance, and both having to indulge in transactions which manufacture reserves or destroy interest-bearing eligible liabilities."

Greenwell maintains that "many people in the banking sector express a strong desire to be rid of the present highly artificial system and to be left to get on with practical banking."

The brokers note that under the proposed system call money which banks placed with discount houses would no longer qualify as a reserve asset and, therefore, discount house would lose their present privileged position. However, the discount market would retain its historic role of buffer between the banks and the Bank of England.

In its latest gilt-edged review Montagu Loebl Stanley, the stockbroking firm predicts a sharp slowdown in the rate of domestic credit expansion and monetary growth in the next six months.

Recent heavy sales of gilt-edged stock will contribute to this but a sharp reduction in the demand for bank credit by the private sector is anticipated.

On the basis of past business cycles this should occur during the second half of this year. the recent pre-VAT mini-boom in consumer spending will produce an upward distortion in bank *lending during* the next two or three months but this should be reversed by the early autumn.

The broker is optimistic about across-the-board cuts in *interest rates by the end of* 1979. Minimum lending rate is likely to remain at its present level of 14 per cent for two to three months, though the short-term upward pressures on *sterling may lead to an earlier* reduction. With the expected slowdown in credit demand, MLR could be in single figures by the end of this year.

Moreover the firm says that sterling appears "critically overvalued at current levels and some early depreciation is expected."

Chemical workers to ballot on strikes

By Nick Garnett, Labour Staff

THE HOLDING of strike ballots in various parts of the chemical industry is being authorised by the General and Municipal Workers' Union after the collapse last month of national pay negotiations.

Wage talks have reverted to local level among the 260 chemical companies normally covered by both national and domestic negotiations.

Shop stewards will report any breakdown in plant level talks to regional and national officials. Mr. David Warburton, national officer for the GMWU, said yesterday that authority for a strike ballot would then normally be given.

Major companies that until *now have determined wages* and conditions in two-tier national and local bargaining include Albright and Wilson, Laporte and Fisons. These companies may now be affected by yesterday's decision of the GMWU executive. Imperial Chemical Industries, the biggest chemical company, has separate negotiations.

Employers in national negotiations with the Transport and *General Workers' Union* and the GMWU refused last month to make any substantial improvement *in* an offer, estimated to be worth 14½ per cent, which had been overwhelmingly rejected by ballot.

Employers had indicated that they were prepared to make a marginal improvement, but there were suggestions that an interim agreement allowing individual companies to negotiate a shorter working week in return for an agreement on new technology would be reviewed.

Th final offer, which affects rates for 60,000 chemical workers, would have improved the national minimum from £45.60 to £53.60.

Work to rule by 600 at GEC plant

A WORK to rule campaign was launched by the 600-strong *workforce* at the GEC Birlec plant in Aldridge, Staffs. because they claim the firm is trying to throw 50 long-service employees on the "scrap heap."

The company had announced *at the weekend* that it was making the 50 men, all members of TASS, the white collar section of the engineering workers union, redundant.

The other 200 white collar *workers at* the plant imposed the work-to-rule and within hours they were given the support of the 400 manual workers.

Court backs union's right to boycott low-pay ship

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

SEAMEN YESTERDAY won an important legal battle in their campaign to establish an international scale of wages on merchant ships.

The Appeal Court in London ruled that the International Transport Workers' Federation had the right to boycott a British-flag ship, manned by a Chinese crew, even though the crew said it was satisfied with its pay and conditions.

Lord Denning, Lord Justice Waller and Lord Justice Eveleigh unanimously dismissed an appeal by NWL, a Hong Kong shipowning company, against a refusal by a High Court judge to block the union's right to boycott one of its vessels.

The ship, the Narwala, is stuck in the port of Narvik where Norwegian unions are refusing to handle her.

The judges said the federation's campaign for higher wages and the boycott were carried out in furtherance of a trade dispute and therefore covered by the Trade Unions and Labour Relations Act.

Mr. Brian Laughton, who heads the section of federation devoted to the campaign, said the ruling was "a vindication of all we have been doing."

The Federation of American Controlled Shipping, which is one of several shipowner bodies fighting to retain the right to use cheap crews under flags of convenience, said it was "fundamentally wrong to regard the situation as a trade dispute when the crew was happy with its employer."

The court decision conflicts with a ruling last year against the transport workers' federation over the blockade of the Cammilla-M. Lawyers on both sides will be carefully studying the implications of the latest ruling.

Although the court awarded costs against the owners yesterday, they were granted leave to appeal to the House of Lords.

The dispute is also of special concern to Scandinavian shipowners, who are fighting for the right to use flags of convenience.

The Narwala was owned by Fearnley and Eger, the Norwegian shipping company which ran into financial trouble two years ago, and is still owned by Scandinavian interests via the Hong Kong company, NWL.

Last year, the International Transport Workers' Federation, carried out 250 ship boycotts in its pay campaign and claims to have won £5m in backpay for the seamen involved. The international body is a federation of seamen's unions.

The Chinese seamen on the Narwala receive about $300 per month, which is roughly half the level required under a federation agreement.

Walk-out at Cowley causes 6,000 lay-offs

FINANCIAL TIMES REPORTER

PRODUCTION AT the Cowley car factories was disrupted yesterday when 158 fork lift drivers walked out from the Pressed Steel Fisher car body plant in a pay protest.

Their action stopped production of Maxi body shells and caused 4,000 workers to be laid off.

At the neighbouring Austin Morris assembly plant Marina production came to a halt and 2,000 more were sent home.

The fork lift men, known as truckers, complained they would be downgraded if BL's proposed five-grade structure is accepted.

The Transport and General Workers' Union says these are only one of several groups which will be downgraded by the company's proposals.

The men's 24-hour protest was timed to coincide with the visit to Coventry by TGWU senior stewards at the six-car plants in the Oxford area to lobby top-level talks.

The TGWU is trying to get support for its campaign for a four-grade structure instead of the five-grade system which the unions have accepted in their talks with management on pay reforms.

European decision near on closed shop case

BY GARETH GRIFFITHS, LABOUR STAFF

A DECISION on a closed shop test case at British Rail, being looked at by the European Commission of Human Rights in Strasbourg, is expected by the end of the month.

The final hearing of the two-year long case will be on Monday. Sir Ian Percival, Solicitor General, will put the Government's case to the commission. He is expected to outline its industrial relations proposals.

The appeal to the commission has been lodged by three *former* British Rail employees: Roger Webster, Noel James and Iain Young. The Freedom Association, formerly the National Association for Freedom, has provided costs for the three. *These are estimated by* Mr. Norris McWhirter, deputy chairman of the association to be at least £25,000.

The three men have based their case against the closed shop on articles 9 and 11 of the European Convention on Human Rights. *They claim the* UK Government has failed to enable them to exercise freedom of thought, conscience, expression or association with others.

The three were sacked in 1976 when they refused to join recognised trade unions under the provisions of the British Rail closed shop agreement in July 1975. Exemption was restricted to religious objectors *only*.

If the commission decides the Government has breached articles 9 and 11, a report will be sent to the committee of ministers and the UK Government. The case may then be sent to the European Court of Human Rights within three months.

Labour Party strikers reject 21% pay offer

STAFF ON strike at Labour Party headquarters yesterday unanimously rejected the *offer* made to them on Monday of 21 per cent backdated to May 1, with an additional 7 per cent, similarly back-dated, after agreement is reached on manning levels.

So the 100 administrative, clerical and journalistic staff remained on strike yesterday, picketing Transport House, where work was brought to a standstill.

The four unions involved are the Transport Workers, the Association of Professional Executive and Computer Staff, the Society of Graphical and Allied Trades and the National Union of Journalists. They want the full 28 per cent increase before they are prepared to discuss manning levels.

Hoover kills lorry fleet to cut costs

By Robin Reeves

HOOVER, the domestic appliance manufacturer, is to dispense with its transport fleet and contract out its distribution arrangements to a Unilever subsidiary, SPD.

The move involves the loss of 83 jobs at the Merthyr Tydfil headquarters of Hoover's transport fleet and the handing over of two depots—Brentry near Bristol and Airdrie near Edinburgh—to SDP which operates a specialist distribution service.

The decision has been triggered by the high cost of replacing Hoover's existing lorry fleet, now due *for* renewal.

Economies in other areas involving significant redundancies were started earlier this year in a bid to meet stiff competition from cheap imports, notably from Italy.

Meanwhile, South Wales Switchgear of Blackwood, Gwent is to cut its workforce by 200 to 750 because of a sharp fall in orders over the past six months, particularly from the Middle East.

Discussions are taking place with unions at the plant to achieve the redundancies, which will be across the board, by the end of September.

Office salaries lagging behind rise in wages

BY COLLEEN TOOMEY

OFFICE WORKERS' salaries failed to keep pace with the rise in national wages last year, rising by between 10 and 13 per cent compared with 14.9 per cent for all employees.

Office salaries at all grades did, however, move ahead by more than the retail price index which rose 9.6 per cent between February, 1978, and February, 1979, according to a survey carried out by the Institute of *Administrative Management*.

The survey of 654 offices employing 42,646 people, also shows that large organisations pay their office workers more than smaller companies for *doing the same job*.

A company with up to 10 people, for instance, pays an average £2,488 a year for an office worker in a routine job whereas a company employing over 3,000 people offers £3,211 for the same work.

The analysis, based on salaries paid at March this year, shows that median rates in the City of London have increased more than those in the West End. In many cases the City has become the highest paying area in the country.

Salary increases for younger staff during the year were high, ranging from 18 to 19 per cent, suggesting that many increases have been applied as flat amounts rather than as percentages on salaries. In addition, the reduction in the age of majority from 21 to 18 has resulted in many factory workers being paid adult rates at 18, probably affecting office workers' salaries, the survey claims.

Office Salaries Analysis 1979. Keith L. Scott and Elizabeth S. Trotman. The Institute of Administrative Management. 205 High Street, Beckenham, Kent BR3 1BA. £46.

16,000 fewer emigrate

THE ESTIMATED number of emigrants from the UK in 1978 fell for the fourth successive year to a record low figure of 192,000—down 16,000 on the previous year, according to the Office of Population, Censuses and Surveys.

The number of immigrants increased by 24,000, from a particularly low figure for 1977, to 187,000, which was much the same as in the years 1974-76.

Radio 3 to carry more speech programmes

By Arthur Sandles

BBC Radio Three is to carry more speech programmes, such as plays, documentaries and features.

This is the first sign of change since Mr. Ian McIntyre, the former controversial controller of Radio Four, took over leadership of Radio Three last November.

Mr. McIntyre clearly intends to take things more gently than he did when he revamped the Today Show (since restored to its old format) and moved the Archers (whose omnibus edition is now back to its former Sunday morning slot).

The "broadening of the cultural base" for Radio Three will involve only a 2 or 3 per cent swing from music to the spoken word.

There is to be a £1,000 short story competition and new speech programmes, including coverage of off-beat sporting events. "We want Radio Three speech programmes to have an edge and to be critical, argumentative, speculative," said Mr. McIntyre.

"Radio Three is a robust and unqualified assertion of the BBC's commitment to broadcasting as a public service," he said.

Rural houses harder to sell in Scotland

By Ray Perman

RISING petrol prices are making it more difficult to sell rural or suburban houses, according to the Scottish branch of the Royal Institution of Chartered Surveyors.

Overall, Scottish house prices are estimated to have risen by between 20 and 35 per cent since the beginning of the year. But several estate agents in rural areas report a marked change in attitude to the prospect of commuting.

One of the institution's members said that a bid for a house 20 miles from a town had been withdrawn after petrol prices rose. Another, in Perthshire, has three clients who have bought new homes without being able to sell their old and are now trying to dispose of either to escape from expensive bridging loans.

CONTRACTS

Gee, Walker starts sports hall

Two contracts worth more than £1.75m have been awarded to GEE, WALKER AND SLATER. Work has started on the sports hall and learning pool for *Charnwood* Borough Council at Loughborough. The starting date for the phase III extension to Burton-upon-Trent Technical College is July 9.

*

GEC TELECOMMUNICATIONS has received £1.5m worth of orders from the Post Office for microwave radio equipment to expand the telecommunications network. The contract includes 6.8 GHz microwave radio equipment for further system extensions in the Shetlands for the North Sea oil terminal at Sullom Voe.

*

MIDLAND DESIGNING AND MANUFACTURING COMPANY, a Thomas Jourdan subsidiary, has won a £1.4m contract to supply Russia with 50-tyre tube ply splicing machines, together with 44 valve applicators and associated equipment.

*

RACAL-ZONAL has won a contract worth almost £600,000 for recording tape on BBC national, local and overseas radio services. Half the order is for a tape developed in conjunction with the BBC for FM stereo broadcasting. The remainder is a high-performance tape for mono broadcasting.

*

A mine automation contract worth £480,000 has been placed by the National Coal Board with HAWKER SIDDELEY DYNAMICS ENGINEERING for installation of a Dynalink mine-operating system at Daw Mill Colliery. The system allows one or two men in the control room on the surface to control and monitor the entire complex of underground conveyors and bunkers and certain surface machinery.

*

DOWSON AND MASON has received a contract worth about £300,000 for a stress-relieving furnace, with two small furnaces, as part of a machine-tool contract worth U.S.$15.5m (£7.1m) between ABMTM and SN Metals of Algiers.

*

FOUNDRY EQUIPMENT INTERNATIONAL, a part of the Aurora Group, has received a contract worth £270,000 from British Rail Engineering for plant at the Crewe BREL steel foundry. The contract is for sand-handling, pneumatic conveying and "environmental control" equipment.

*

VENN BROS. (CORNWALL) has been awarded a £127,250 contract by the Department of the Environment for work on an advance factory of 450 sq metres at Trewellard, St. Just, Cornwall. The factory will be of the terrace-unit type and divisible into two units of 225 sq metres each. The Department has placed a £104,000 contract with BARWICK BROS., Carlisle, for an advance factory of 450 sq metres at Bellingham, Northumberland.

*

Orders for five large industrial cooling towers and associated pump sets valued at £54,000 have been received by HEENAN COOLERS, part of the Redman Heenan International Group, *from* Harland and Wolff of Belfast. It is installing the equipment in a new diesel engine test plant to cater for MAN engines built under licence in Northern Ireland.

● NEWS ANALYSIS—POST OFFICE EFFICIENCY

Tough talking on productivity ahead

BY NICK GARNETT, LABOUR STAFF

THE IMMEDIATE reaction of the leadership of the Union of Post Office Workers to the Government's announcement that it will review the corporation's letter monopoly unless postmen agree to improving efficiency, suggests two things.

First, that the Post Office *will continue to have grave* difficulties in agreeing any major productivity change with the union, and second, that the corporation may be moving towards some very difficult pay talks this year with its biggest union.

Mr. Tom Jackson, the union's general secretary, yesterday emphasised again that one of the productivity elements the corporation believes is fundamental—the greater use of temporary and casual labour—had been buried by his members in a national ballot and there it would remain.

He indicated that the union was prepared to continue talks on two other productivity features the Post Office is seeking—traffic measurement and larger and speedier diversions of work from one office to *another*.

But there were strong suggestions that the kind of movement sought by management on these two points would not be acceptable to the UPW leadership or its members.

In any case, Mr. Jackson warned the Post Office *yesterday* that anything conceded by the union on these points would have to be bought by extra money on top of non-productivity related basic pay rises the UPW is now seeking. These rises are about 17 or 18 per cent.

This poses a real problem for management. The Civil Service settlements have spurred the postal telecommunications sections of the civil service unions to seek similar rises for their Post Office members. Until yesterday the telecommunications unions had been offered rises of 9 per cent with a further 3 to 7 per cent for grade restructuring. Some had also been offered a further 2 per cent for changing the settlement date.

Earlier this year, the UPW accepted an interim deal worth about 10.2 per cent for its 140,000 postal workers and 50,000 telephone operators, telegraphists and coast radio officers. It is now seeking full consolidation of all outstanding pay supplements as well as a *major* topping up exercise to bring it up to what it believes to be the going rate achieved by the telecommunications unions, which are still negotiating.

This going rate is viewed by the UPW leadership as at least 17 per cent at the moment. Mr. Jackson said yesterday that payments for any new productivity arrangements must be made on top of this figure. "Some of those other unions have carried out industrial action. We haven't, but we are not going to be treated as second class citizens in any settlement."

The Post Office, however, wants to trade off some of the extra money for the UPW with new productivity arrangements. Every 1 per cent on pay adds £10m to the Post Office's costs, according to Post Office figures, with wages accounting for more than three-quarters of its total costs.

The issue of productivity has given the UPW leadership considerable problems, not only from the Post Office but from its own members too.

Earlier this year the union's executive agreed to recommend a pay and productivity package, which included the use of temporary staff and the possibility of work measurement in return for 13½ per cent in a full year.

Mr. Jackson said privately then that it would be difficult to have the deal accepted by national ballot. The membership in fact rejected the deal because of the productivity elements.

Mr. Jackson subsequently told the union's *annual conference* that the productivity scheme was "window dressing" to get it past the Government: that a clause securing the need for local agreement between union and management on temporary staff effectively put a veto in the hands of the union.

Some Post Office officials believe that the UPW leadership was here responding to the difficulties it had run into with its own membership. Certainly there is considerable resistance to the use of casual and temporary labour because, it is feared, this might eat into the amount of overtime available to postal workers, particularly in big cities where the UPW has a large proportion of its membership.

About 48 per cent of its members work overtime. Sir William Barlow, Post Office chairman, has called for the abolition of "excessive" overtime working.

The Post Office did not apparently see the productivity deal as "window dressing." It says that work measurement and the use of temporary and casual staff would be a major boost to productivity and a big step towards reducing staff shortages which are currently running at about 4,000 in London alone.

At least some Post Office officials understand the UPW's reluctance to concede major changes in this area.

Mr. Jackson said yesterday that with hindsight the membership had been right to defeat the executive-recommended productivity deal. There is considerable suspicion, possibly justified, that there is always a risk that the use of casual labour becomes permanent and that it masks any need to improve basic pay and conditions.

The national rate for postmen is £60.87 with £8.50 of this unconsolidated for overtime. The basic rate for sorters (postmen, higher grade) is £66.16 with £8.65 unconsolidated. There is an extra £10.96 a week for postmen and sorters in central London. Most postmen's contracts are for a six day week.

The Post Office says average earnings are £91. This can rise to well over £100 for postmen in some offices working a lot of overtime.

Hopes run high on private mail

BY JOHN LLOYD

SIR KEITH JOSEPH'S announcement on Monday that private enterprise might be allowed to play a part in mail delivery if the Post Office could not achieve productivity gains has already stimulated entrepreneurial spasms in the breasts of at least some of those who might hope to gain from such a move.

Courier and private parcels services have been doing well in recent years, "wholly due to the Post Office's inefficiency," according to Mr. Jonathan Hood, managing director of Securitt *Despatch, though most are small,* under £1m-a-year turnover, companies. Yet their size appears not to inhibit their ambitions.

"As soon as the monopoly opens up, we'll be in," says Mr. Paul McCarthy, a director of Courier Plus. "We pick up, we deliver, and I reckon we could beat the Post Office on price sometimes."

Mr. Hood, of Security Despatch, demurs. "We would charge more than the Post Office for delivering mail. But it would all be next day."

Continuing in this frank vein, Mr. Hood says that "the Post Office and the unions have a justifiable point we would want the profitable business end of the market. We're there already.

"During the last postal go-slow we collected huge batches of parcels from our clients. Every statement the Post Office makes about their problems gives us business."

More charitably, Miss Linda Moorhouse, account executive of Mercury Despatch, says "We are thinking of getting in touch with the Post Office to offer to help them out of their present difficulties."

Mercury's 30 motor-cycles and 25 vans would no doubt aid the Post Office but it gave a non-committal response to the offer last night.

Mr. Hood admits that Security could not alone take over postal services. "We would get together with other companies, and the big trunk carriers, and work out a consortium approach."

Ironically, and justifying all Sir Keith's faith in the small business, the major carrier, Securicor, expressed a lack of interest verging on horror at the idea. The company has had 34 per cent growth in its parcels service in the past year, turning over about £35m, and is quite happy with that.

"We run a service to industry. We don't want to go out of the parcels area and start delivering to homes. Nothing but problems there."

Amen to that, says the Post Office.

UK NEWS—PARLIAMENT and POLITICS

Heated exchanges replace warm welcome

BY PHILIP RAWSTORNE

Mrs. Margaret Thatcher was given a warm welcome on her return to the Commons yesterday from the Tokyo summit.

So fervently grateful was Mr. Michael Brotherton (C Louth) for her safe homecoming that he seemed ready at one point to hold a thanksgiving service.

But the Tories settled for a hearty chorus of cheers; and Labour MPs derisively echoed it.

It had *been* an arduous trip, Mr. James Callaghan enviously conceded—and the Labour leader ensured that the Prime Minister's reception was no less gruelling.

The initial warmth rapidly developed into heated exchanges over the question of Rhodesia sanctions.

Mr. Callaghan suggested *that it had* been *premature* for Mrs. Thatcher to say that sanctions would have to be lifted this autumn because the Conservative Party would not support them.

The Labour Party was willing to rally round the Prime Minister and avert her Government's *isolation and any risk* to Britain's interests, he declared.

Mrs. Thatcher declined the offer. Strenuous efforts were being made to bring Rhodesia back to legality, she said.

"If we are successful, the basis of sanctions would go. If we are not successful, we face a very difficult situation in November," she said.

Mr. Callaghan turned more coolly to the question of oil.

Just what practical proposals had emerged from the summit to deal with the impact of the price increases? he demanded.

What were the Government's policies for coping with the higher unemployment, lower investment, lack of growth and higher inflation?

"The Government was not elected to achieve all that," he observed.

Mrs. Thatcher had little to add to her original report.

Extra money would not be printed to compensate for the higher oil prices, she asserted.

The Tokyo summit had been united in its resolution to restrain demand for oil in the short term; and in its belief in reducing its dependence on uncertain sources in the long term through its skills and incentives.

In the light of such lofty sentiments, the Prime Minister curtly dismissed the Labour leader's mundane suggestion that the Budget increase in petrol tax should be abandoned.

Mr. Dennis Skinner (Lab. Bolsover) shook his head regretfully at these symptoms of what he called "sumititis—the dreaded disease of leaders."

Its victims, he said, always spoke in high-sounding phrases which were never put into practice.

Mrs. Thatcher assured him that her "pithy comments" always meant what they said—and went on to demonstrate it during an hour's interrogation.

Tory MPs, sounding her opinions, grew more rapturous with each predictable response; Labour MPs found it impossible to disrupt the harmony.

Mrs. Thatcher had so obviously held her corner in Tokyo that no one doubted she would do so at next month's Commonwealth Conference.

Tory MPs began to worry instead about the Queen's safety in Lusaka.

That question could safely be left to her as well, Mrs. Thatcher assured them.

Rhodesian sanctions attack

MRS. MARGARET THATCHER and Mr. James Callaghan, Opposition leader, clashed in the Commons yesterday over lifting sanctions on Rhodesia.

Mrs. Thatcher, back from her visit to Australia following the Tokyo summit, said the aim was to bring Rhodesia back to legality.

But Mr. Callaghan warned her: "If you are not very careful you will find yourself isolated, Britain isolated, and the interests of the UK put at great risk as a result of what you call your pithy comments."

And he pledged Labour support when sanctions are due for renewal in November.

Mr. Callaghan attacked Mrs. Thatcher for her statement in Australia that it would be difficult to renew sanctions in November.

"Was it not a great mistake on her part, before she actually goes to Lusaka, to give an indication of this sort?" he asked.

But Mrs. Thatcher did not agree. What she had said was that there was very considerable doubt whether an order for renewal of sanctions would go through the House.

The Government was making "strenuous efforts now" to consult other countries to try to bring Rhodesia back to legality, she told him.

If the talks were successful, sanctions would go, but if they were unsuccessful, there would be "a very difficult situation in November which I referred to perfectly correctly and realistically."

PM stresses nuclear needs

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE STEEP increase in oil prices will mean a reduction in the standard of living in the UK unless it is offset by the inventiveness and resourcefulness of *the British people, the Prime* Minister warned in the Commons yesterday.

Reporting on the result of the Tokyo summit last week, she again placed heavy emphasis on the need for an expanded programme of nuclear power stations in Britain as the best answer to the oil threat.

Mrs. Thatcher also seized the opportunity to categorically deny suggestions that the *Government was considering* the possibility of removing fuel prices from the Retail Price Index.

"*I never made any suggestion* that energy prices should not be taken into account in the Retail Price Index," she assured the House.

"Such a suggestion was made, but not by me. That you should exclude energy prices *from* the RPI *seems* to me totally *ridiculous.*"

The Leader of the Opposition, Mr. James Callaghan, took a sceptical view of the summit outcome.

He said the individual countries represented there seem to have set themselves widely differing targets for restraining oil imports.

"It's a pretty peculiar form of alignment," he commented.

Mr. Robert Sheldon (Lab., Ashton-under-Lyne), the former financial secretary to the Treasury, asked about reports that Mrs. Thatcher had forecast a reduction in the standard of living for everyone as a consequence of the rise in oil prices.

Mrs. Thatcher told him: "Any country that has to pay a sub*stantially larger sum* for one particular commodity which it cannot do without obviously faces a reduction in the *standard of living unless it* can *offset* that reduction by the inventiveness and resourcefulness of its people."

She maintained that the income tax reductions in the Budget would help cushion the effects by assisting people to start up new businesses and extend old ones.

The governments represented at Tokyo, she insisted, had faced up to the oil situation realistically.

They were all determined not to print money to compensate *for the higher oil prices*, and there was general agreement that domestic oil prices should be at world market levels.

There were murmurs of agreement from both sides of the House when she went on: "We stressed the importance of developing to the full existing and new sources of energy as alternatives to oil.

"We saw a special need to expand with safety nuclear power generating capacity. Without this, the prospect for growth and employment would be bleak."

Mr. Callaghan, however, pointed out that the various countries had adopted widely differing targets on oil consump*tion.*

He asked Mrs Thatcher to explain how the decisions were supposed to be aligned.

The British Government, he said, had no practical proposals for dealing with the effects of the oil crisis.

During the next 12-18 months, Conservative policies would lead to higher unemployment, less investment, no growth and higher inflation. The Tories seemed content to sit back and let *events take their course.*

The latest OPEC increases had drastically changed the situation since the Budget, in which the Chancellor had made "self-inflicted wounds" by increasing petrol duty and Value Added Tax.

He appealed to Mrs. Thatcher to reconsider the Budget proposals.

Mr. Callaghan also emphasised *that because of coal and North* Sea oil, Britain probably had an energy surplus of 30 per cent. Therefore, he urged caution in the development of nuclear energy. It should proceed at a steady pace; there was no need for a rush.

Replying to his points, Mrs. Thatcher justified the differing targets for oil saving on the grounds that the various countries had their own individual problems.

"One must be realistic about these things. We would not have had that kind of agreement *unless we were able to* take account of those differences."

Rejecting Mr. Callaghan's *demand that the increase in* petrol duty should be revoked, she said that would be the most rapid way of increasing demand for fuel.

She strongly disagreed with any suggestion that we should be able to get through our present difficulties without having a much larger nuclear power programme.

"We all came to the conclusion that much as we would like power from the sun, tides and other things, nuclear energy was the answer."

Thatcher delays advice to Queen

THE PRIME Minister would wait until the last minute before giving the Queen any advice to call off her trip to the Commonwealth conference in Lusaka, Mrs. Thatcher told the Commons today.

Mrs. Thatcher's statement follows Buckingham Palace's announcement on Monday that it was still the Queen's "firm" intention" to go to Zambia.

Mrs. Thatcher said during *question time*: "In tendering advice, I have to wait to the last minute to receive the latest up-to-date reports.

"*We are very anxious that* the Queen should be able to undertake these visits and we will weigh judgment on advice received very carefully."

The Prime Minister was replying to Mr. George Gardiner (C Reigate) who raised the question of concern for the safety of the Queen if the visit went ahead.

Sir Nigel Fisher (C Surbiton) asked Mrs. Thatcher to consider sending the Foreign Secretary, Lord Carrington, to Lusaka to check security *arrangements before* the Queen's visit.

Mrs. Thatcher said she would consider Sir Nigel's suggestion.

Traders 'using VAT changes to raise prices'

BY IVOR OWEN

SOME TRADERS are putting up prices beyond the amount required to give *effect to the* Budget decision to increase VAT to 15 per cent, Mr. Denzil Davies, a Labour spokesman on *Treasury affairs*, told the Commons last night.

He was speaking at the start of the committee stage of the Finance Bill.

He complained that "a considerable amount of rounding up" was going on, and predicted that the rise in the cost of living caused by VAT going up to 15 per cent was likely to exceed the 3¼ per cent forecast by the Government.

In some instances, he said, 15 per cent VAT was being added to the previous 8 per cent rate.

Mr. Davies, who *accused* the Government of having abrogated its responsibility for keeping prices in check, moved an *amendment to exclude the* 15 per cent rate from the Bill.

While recognising the case for a uniform rate of VAT—the Labour Government operated a standard rate of 8 per cent and a higher rate of 12½ per cent—he argued that 10 per cent was the highest possible single rate consistent with the aim of keeping down the level of inflation.

With a nod of approval from Mr. Denis Healey, the former Labour Chancellor, Mr. Davies strongly denied that a Labour Government would have raised VAT to 12½ per cent.

He also recalled that, before the Budget, the Confederation of British Industry had advocated that VAT should be standardised at 10 per cent, and had warned that to go further, even to 12½ per cent, would be "too sharp a change."

Despite this, the CBI had said nothing since its advice was rejected by the Chancellor.

"Its economic judgment has been bought and paid for with 30 pieces of silver by the Government's tax cuts," Mr. Davies scoffed.

Emphasising the "disastrous" economic consequences which would result from Government *policies*, Mr. Davies maintained that something would have to "give," with an inflation rate of 20 per cent and the monetary targets set by the Chancellor.

"The crunch will come in terms of high unemployment, high interest rates and high inflation."

Britain to cut off aid to Vietnam

BY JOHN HUNT

BRITAIN is to cut off further aid to Vietnam and will resume it only if the Veitnamese Government stops expelling large numbers of its citizens.

The Prime Minister announced the decision yesterday.

She told the Commons that the Government will not cancel the agreement entered into by the Labour Government to supply three cargo ships to Vietnam.

Mrs. Thatcher took a firm line on the admission of further refugees into Britain. She emphasised that Britain had a population of 1½m new Commonwealth immigrants and is one of the world's most densely populated countries.

She discussed the situation with Mr. Kosygin, the Soviet Prime Minister, during her stopover in Moscow on her way to Tokyo and had asked him to intervene with the Government of Vietnam.

Mrs. Thatcher complained that Mr. Kosygin had not given her "much encouragement." She found this particularly disappointing in the light of the human rights aspects of the Helsinki agreement.

Mr. Michael Gryllis (C., Surrey NW) condemned the "abhorrent" policies of the Vietnamese Government and called on the Prime Minister to cancel the ships deal.

Mrs. Thatcher said that although the British taxpayer was contributing to the ships, it would cost more to cancel the contract than to go ahead with it.

But she gave an assurance that there would be no further aid to Vietnam while present circumstances continued.

She thought that the Russian attitude had been particularly revealing about their interpretation of the Helsinki agreement. What we were now seeing in Vietnam was "Communism in practice."

Mr. David Ennals, former Labour Social Services Secretary, suggested a more open and generous policy for admitting Vietnamese refugees to Britain. But Mrs. Thatcher told him that this matter would be left to the UN conference:

"I can make no promises but they are taking a bigger proportion of Vietnam refugees in this country," she said. "We have taken 1½m immigrants from the New Commonwealth countries. That is a factor we must take into account in deciding whether we can take in new Vietnamese refugees."

● NEWS ANALYSIS—UNIONIST LEADERSHIP

Rival to Paisley influence sought

BY STEWART DALBY

THE MINUTE the results of the European elections were known in Northern Ireland just over three weeks ago, it was obvious to most observers that Mr. Harry West's days as the leader of the Official Unionists were numbered. *He finally re*signed this week.

The uncompromising Rev. Ian Paisley and his Democratic Unionist Party scored a massive victory over other Unionist candidates by collaring 170,688 first preference votes, 27,620 more than the quota needed for election.

The two Official Unionist candidates, Mr John Taylor and Mr. Harry West managed only 125,169 votes between them on the first count.

After the first round, Mr. *West was eliminated. To add to* his humiliation, even his lieutenant, Mr. Taylor, did better.

The European election results in themselves would not have been enough to end Mr. West's political career. But in the British general election, a month previously, the Official Unionists dropped two of the seven seats they had held in the previous Westminster Parliament.

Mr. Paisley's DUP took the East Belfast seat of Mr. William Craig and Mr. John McQuade nipped into the North Belfast seat vacated by Mr. John Carson.

These seats were lost even though the Official Unionists received 250,000 popular votes against just 70,000 for the DUP, although Mr. Paisley's men did not stand in some constituencies in the Protestant heartland.

Ironically, of all the main Official Unionists, Mr. West is probably ideologically the closest to Mr. Paisley. He stands for a return to the old fully devolved Parliament at Stormont.

His leadership of the Official Unionists had its origins in his obdurate opposition to the power-sharing experiments of the late Mr. Brian Faulkner in 1974-75.

Alarmed at what he considered were compromises, he split off in 1973 and evolved the United Ulster Union Coalition.

This included the then-rising Ian Paisley. The coalition did not hold and the rump of what had once been the Ulster *Unionist Council eventually be*came the Official Unionists, led by Mr. West.

Mr. Faulkner's faction, the Unionist Party of Northern Ireland, no longer has any Westminster reresentation.

Although Mr. West remains a strong believer in a return to Stormont and opposed to power-sharing under any circumstances, he gradually lost ground.

He briefly held a Westminster seat in 1974 but appeared to lose interest in leading the Official Unionists.

While he remained ideologically close to Mr. Paisley, he did not have the personality to stop his party being hauled off in what was politically a different direction by Mr. Enoch Powell.

Under Mr. Powell's deputy leadership, the Official Unionists' policy came to appear as one of total integration, with some restoration of local government.

In the eyes of many loyalist supporters in Northern Ireland, this seems to mean the Official Unionists have no real policy at all. Mr. Paisley, who is no mean political operator, moved into this vacuum, turning his 17th Century fundamentalism into an out-and-out 20th Century loyalist political creed.

As the results of the two elections have shown, Mr. Paisley has managed to garner more and more of the working class Protestant vote and seems to have made major inroads into the middle class Official Unionist vote.

Mr. West's departure means that whoever leads the Official Unionists will have to work hard to recapture the lost ground. Mr. James Molyneaux, the MP for South Antrim who has been appointed interim leader, is a mild-mannered man—hardly a match for the demagogic Paisley.

What seems to have happened is that the Official Unionists' lack of identity has increased polarisation in favour of people like Mr. Paisley.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● PROCESSING

Simple phosphating

COLD degreasing and phosphating in one tank under the Pai-Kor process is offered by Celtex (UK).

At room temperature and during the treatment time of 60 seconds, it degreases and forms a phosphate coat, sealed with a polyphosphate film. Treatment time can be reduced by using ultrasonic equipment and drying with forced air can be as quick as 30 seconds.

One of the major benefits of this process is that there is no effluent disposal problem, for the oils, fats or grease are absorbed in the process. It is suitable for treating steel, aluminium, cast-iron, galvanised steel and zinc and all industrial paints, enamels and powder coatings can be applied.

Because of its non-porous surface, unlike many conventional phosphate coatings, it can be stored for two to three weeks outside or over 12 months inside, before it is necessary to apply the paint coating.

Celtex (UK), Larchwood House, Ipsley Street, Redditch, Worcs. Redditch (0527) 62766.

Long scrap easily cut

TO FACILITATE handling long strips of scrap material, ITP of Lutterworth has designed an air-driven machine which cuts the scrap into small pieces. This new machine, Model PSC, is a simple and inexpensive piece of equipment, intended for both automatic and manual operation.

When operating automatically, the machine can be used in conjunction with a coil-fed press to accept the continuous strip of scrap sheet-metal emerging from the press. Alternatively, it can be used as a small guillotine, fed by hand and operated by a pedal.

Including metal, plastics and paper, a variety of materials can be cut by the PSC. The basic machine is designed to cut mild steel up to ⅛ in (3.2 mm) thick, but more powerful machines for thicker material are planned. Four different versions of the PSC with cutting widths from 3 in (76 mm) to 12 in (305 mm) are available.

At the heart of the Model PSC is a mechanism equipped with two blades, working with a continuous, scissor-like, cutting action. It is driven through a linear cam and roller follower by a 4 in (102 mm) diameter, double-acting pneumatic cylinder. This transmission gives a 4:1 mechanical advantage.

Because cutting and drive are continuous, the running of the new machine is free from impact and remarkably quiet. Two silencers are installed to reduce noise from the pneumatic circuit.

ITP, 2 High Street, Lutterworth LE17 4AT. 04555 57828.

● SAFETY

Repair of pipelines under pressure

DEVELOPMENT of improved and safer procedures for hot-tap and repair welding of pressurised pipelines is under way at Battelle's Houston operations and Columbus Laboratories.

Intended to benefit refinery and chemical production companies, gas and oil transmission companies, as well as companies engaged in servicing pipelines, the study should result in lower cost and safer welding operations. The programme is being sponsored initially by 18 companies and is still open for membership.

According to Battelle's Dr. John F. Kiefner, who heads the study, current methods of hot tapping or repairing involve the welding of sleeves, branch connections, or extra nozzles onto pipelines under pressure. The lines must remain pressurised because of the high costs associated with shutting them down. However, hazards such as burnthroughs may occur during welding, hard crack-susceptible zones may form in the pipe wall next to the welds, or the contents of the pipeline may become overheated.

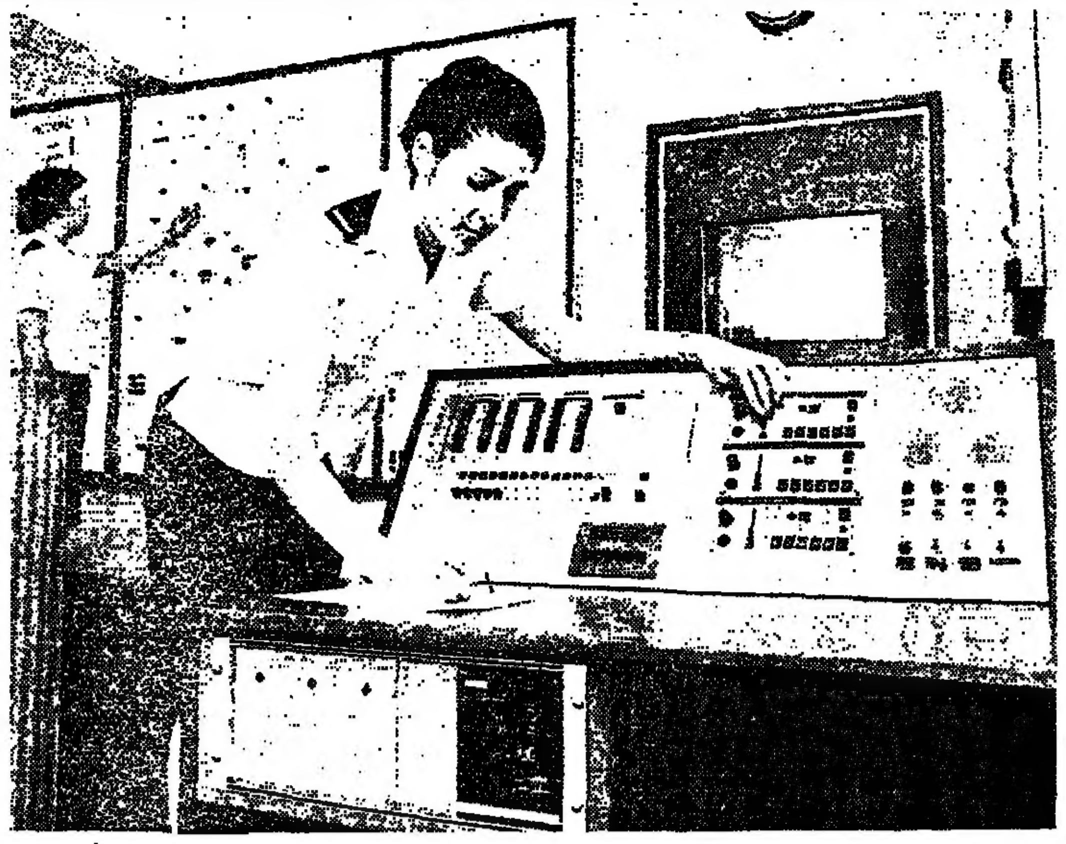
Welding procedures must ensure the safety of the maintenance crew and physical plant. Little data is available to allow a realistic choice of procedures. As a result, those generally used are very conservative, and vary widely throughout the industry.

During the study, Battelle will develop a procedure for defining the limiting conditions for welding that minimises disruption of service and associated risks.

Procedures will determine the minimum thickness of material on which welding can safely be performed without a burnthrough; appropriate pressure and stress level that can be maintained while avoiding a burnthrough; effect of the contents and rate of flow in the pipeline on the temperature of the pipe wall during and after welding to evaluate the risk of burnthroughs or excessively rapid quenching of the weld zone; and limit welding energy input to avoid excessively high temperatures at the internal surface that might damage or degrade the product or cause an undesirable chemical or physical reaction.

Battelle plans to develop a thermal analysis model that could be used with small, programmable calculators for predicting these limiting conditions.

Battelle's Houston Operations, 2223 West Loop South, Suite 320, Houston, Texas 77027 U.S.



Firemen dread malicious false alarms, for they tie up men and machines when life could be endangered by a real blaze. A new weapon in the struggle against hoaxers is an advanced cassette recorder installed at the Oxfordshire Fire Service headquarters at Kidlington. The Racal Recorders "Callstore" can instantly replay an incoming telephone call at the same speed, or faster or slower, providing much easier identification of the callers' voices. The operations room at Kidlington is the nerve-centre for the whole county. All emergency calls are routed by the women operators who last year dealt with more than 5,500. Now they have three Callstores to make their job easier. These units help in monitoring genuine calls. People in burning houses tend to panic and talk too fast when they dial 999 and Callstore's facility for slowing speech down makes understanding them easier. Racal Recorders, Hardley Industrial Estate, Hythe, Southampton, SO4 6ZH.

Maintenance at sea

EXTENSION of territorial waters has meant policing a much wider sea area for seaboard states, causing an increasing use of helicopters, yet highlighting the problem of providing sea-borne landing platforms for craft which may need maintenance while at sea.

It is often quite difficult to adopt relatively small patrol boats to incorporate a landing pad which at the same time can double up as a helicopter hangar.

Solution has come from a Dutch engineering concern, Machinefabriek Oldenzaal BV, Postbus 316, 7570 AH Oldenzaal, Netherlands, which collaborated with the Royal Netherlands Navy, NEVESBU of the Hague, and the Wilton Feijenoord shipyard in Schiedam, to produce a compact stable platform which folds itself hydraulically around a helicopter within a few minutes of its landing and forms a solid, watertight hangar in which maintenance can be carried out without hinderance.

The hangar can be opened and closed in wind forces of up to Beaufort Scale 8 and, whether open or closed, it is as strong as the structure of the vessel, says the maker.

Helmets to match jobs

A NUMBER of helmet systems that offer both respiratory and physical protection are offered by 3M.

For instance, a unit for use in abrasive blasting has a helmet with abrasion resistant surfaces and a Neoprene-coated nylon outer shroud while another, for welding, has head and eye protection with a larger flip-up welding visor with good field of vision.

There is also a general purpose version suitable for applications such as grain handling, grinding, paint spraying or wherever lung-damaging dusts or fumes may be present. A lightweight version, where respiratory protection is the only consideration, is also available.

All the systems use externally supplied breathable quality compressed air and the operator can adjust both the volume and the temperature of the air entering the helmet by means of a belt-mounted control.

More from Occupational Safety and Health Products, 3M United Kingdom, PO Box 1, Bracknell, Berks. (0344 58297).

Power to the barriers

SAID TO cost only marginally more than the average manually-operated security barrier is an electrically powered rising-arm system which can be plugged into a lighting socket, just launched by APT Controls, 77 Scrubs Lane, London NW10 (01-960 0111).

Specifically designed for high security areas, such as military establishments, prisons, defence departments, as well as factories and commercial institutions, it is known as TB520LA.

Raising and lowering of the arm is achieved via a remote controlled linear actuator powered by a single-phase electric motor which requires only a 2-amp running load.

An electromagnetic overload cut-out is fitted to reduce damage should the arm close on an obstruction.

Check on two bridges

BRITISH SUGAR Corporation has asked Cambridge consulting engineers, Sir M. Macdonald and Partners, to undertake a condition and load assessment survey of two railway bridges, part of a proposed upgrading of the company's private railway line connecting its sugar beet factory at Wissington in West Norfolk with the BR Stoke Ferry branch, with a view to running 100 ton wagons and BR Class 47 diesel electric locomotives on the line.

One of the two bridges, on which the consulting engineers have already begun survey work, is a three span reinforced concrete structure, the other being a single span steel truss.

● COMPONENTS

Rust-proof fasteners

ENVIROMASTER fluoropolymer-coated steel fasteners cost less than their stainless steel equivalents but have greater mechanical strength. Corrosion-resistant and self-lubricating, they have significant cost advantages, especially in larger sizes above ¼ in diameter.

Increased service life in hostile environments can more than justify the extra initial cost of coated fasteners, in comparison with standard plated nuts and bolts. The big advantages are in the simplification of maintenance because Enviromaster fasteners will require only a normal tool wrench to dismantle them even after prolonged exposure to corrosive conditions.

Because the standard steel alloys used have a much greater yield strength than BST stainless steel, there is consequently much less risk of stripping threads or shearing under extreme loads.

Fluoropolymer material used withstood in excess of 3,000 hours exposure to salt spray and the fasteners remained free from noticeable corrosion. The period of this test can be equated to many years of exposure in typical marine conditions.

Xylan coating gives a finish which is highly resistant to attack from hydrochloric, sulphuric and nitric acids, sodium hydroxide, acetone, methanol, methylethylketone, phenol, xylene and many others.

Fasteners are available to order in sizes from 10 mm (⅜ in) diameter upwards in studs, bolts, setscrews and associated nuts. Various thread types are manufactured and specialist sizes can also be produced.

Charles Richards Fasteners, POB 23, Heath Road, Darlaston, Wednesbury, West Midlands WS10 8LR. 021 526 3188.

● MATERIALS

Easy-care ceiling board

FOUR SURFACE patterns are offered with Fireline M/G board for fire resistant ceilings from British Gypsum, Ferguson House, 15 Marylebone Road, London NW1 (01-486 1281).

White pvc film is said to give the board an attractive surface which, apart from being easily cleaned, requires no decoration.

Board consists of Gyproc plasterboard backed with aluminium foil, faced with the pvc film, and because the aerated gypsum core contains glass-fibre and vermiculite, cohesive properties and fire integrity performance are improved, says the company, thus promising better fire protection qualities.

● PERIPHERALS

Terminals for any use

BELGIAN COMPANY Vector International offers what it calls the Universal Concept Terminal which can be built and programmed to suit almost any terminal-oriented product based on a microprocessor.

The collection of equipment includes keyboard, two nine-digit displays, a 40 column alphanumeric printer, microcomputer, power supply and five Eurocard slots for function expansion.

Important element is the keyboard in which only the numeric keyboard has assigned values. Sixty-three of the 74 keys can be assigned to functions peculiar to the application so that the equipment designer can match his product to the application and to the operator, often unskilled.

The keyboard module includes an interface card for the micro bus and a software routine to read the ASCII codes generated by the keys, individually programmable for simple or complex functions.

The software package available also uses a modular approach and includes interface sub-routines for all the devices in the system.

More from the company at Research Park, B-3044 Haasrode, Belgium.

● INSTRUMENTS

Ball races checked

OF TWO mechanical engineering instruments recently introduced by Bendix, one, known as the Anderometer System, is able to measure the complex interaction of the geometric irregularities in ball and roller bearings.

Both the raceways and the balls/rollers have small surface irregularities of widely varied amplitude and spacing which during running give rise to complex cam actions with resulting noise or vibration. The system enables these characteristics to be measured under a thrust load and enables the test organisation to write definite numerical specifications for bearing quality.

The other instrument is called the Profilometer and is a direct reading instrument for determining the surface roughness of metals, glass, plastics and other materials.

Dial and digital readings may be taken and with the latter the correct measurement is shown within three to six seconds regardless of stroke length.

The units are available in the UK from Staveley Electrotechnic Service, 68 Grosvenor Street, Manchester M17 EW (061 273 6321).

● COMPUTERS

Programmed multiplexer

ABILITY TO change quickly and easily the operating parameters of any kind of equipment has been one of the principal advantages of applying the microprocessor. The latest device to so gain is the multiplexer.

For use with its Naked Mini 4 family of computers, such a multiplexer has been designed by Computer Automation for asynchronous data transfer between the processor and local or remote RS-232 devices.

There are, for example, 16 programmable transmission rates ranging from 50 to 19,200 baud. Data transfers are interrupt-driven, with separate receive and transmit vectors for each channel.

In addition, character lengths of five, six, seven or eight bits are programmable, as are the stop codes of one, one and a-half and two bits.

The multiplexer is on a half card that will fit any Naked Mini 4 chassis and a four channel version costs about £577.

● POWER

Master card in control

SHOULD ALL the lights go out in Oxford Street, and stores cease to trade, Marks and Spencer can laugh all the way to the bank and Boardroom, because its shops use an electricity mains failure system from Dale Electric of Great Britain, Electricity Buildings, Filey, Yorks. (0723 514141).

When refrigerated foods displays, cash registers, general lighting and shop window illuminations are all dependent on a non-stop supply of power, it is essential that no hiatus occurs—in the case of M and S, which guarantees total perfection of its foodstuffs, loss of power could mean the destruction of tremendous amounts of food stock—but the company is always prepared. . .

Apart from chain stores, water boards, office blocks, computer centres, factories and telephone exchanges can all benefit from a new system, said to be more comprehensive than any other on the market, either in the UK or throughout the world—this is the Dale 8000.

Key to the system is the central processor — a master card—working in conjunction with individual interface cards which can be easily removed or replaced for maintenance.

As standard, it offers greater starting reliability with automatic reactivation of the starter motor until it meshes and starts. There is a dual battery through a plug-in automatic charger, plus an engine driven charger.

After the load has been transferred back to the mains, the engine runs on to cool off before stopping, thereby increasing engine life.

Condition of the mains is permanently and accurately monitored and timed so that unnecessary starting and stopping does not occur in transient conditions.

In addition, says the maker, the system (which meets all international standards) offers three-line ammeters, frequency meter and voltmeter with phase to phase and phase to neutral switches, pushbutton controls, instant indication of battery condition with battery voltmeter, and a big capacity battery to give more than six consecutive starts, even at 0 degrees C.

There is also an electronic audible alarm and wide range of remote control functions.

MARRIAGES

MRS. ROZA WROBEL wishes to announce the marriage of her daughter, Gina to Sheikh Wahib Said Binzagr, eldest son of Sheikh and Mrs. Said M. O. Binzagr, of Jeddah, Saudi Arabia, on July 5th, in Geneva.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Jaguar-Rover-Triumph race against time on the American circuit

BY KENNETH GOODING

IF Jaguar Rover Triumph, BL's subsidiary, is finally to emerge as a solidly-based specialist car producer in the world league—and according to some insiders that is still only a "reasonable" *prospect—its American business* must succeed.

JRT gets one quarter of both its cash turnover and production in unit terms from the U.S. market. Yet for some years past Jaguar Rover Triumph Inc., as the U.S. marketing organisation is now called, has suffered from the parent company's self-inflicted injuries.

One of the main difficulties, of course, is that it could not rely on continuity of supply from the UK car factories.

"Now the crunch has come. 1979-80 is make-or-break year for JRT Inc.", maintains one BL executive.

But Graham Whitehead, the British-born president of JRT Inc. for more than ten years, does not see things in quite that way. He is confident that JRT Inc. has a solid base for future growth and can finance that growth from its own resources and local borrowing in the States.

He points out that last year output of the TR7 sports car in Britain was curtailed as production was transferred from Speke to Canley. The U.S. is really the TR7's "home" market because in a normal year about half the production would be sold there.

As a result of the TR7 changes, JRT Inc's unit sales in 1978 fell from 68,371 to 47,885. Even so, turnover reached \$355m, and the business remained profitable, says Mr. Whitehead.

JRT has been in an almost constant state of reorganisation since it was formed—as British Leyland Motors Inc—in 1968 at the time of the British Motor Corporation and Leyland merger.

At that stage rationalisation was sorely needed because the new company inherited 1,340 dealers. Much has been done to cut back the numbers with the aim of making the JRT franchise more profitable for those remaining and generally upgrading the network — a "quality not quantity" approach.

In 1968 each of the JRT dealers was selling 44 cars a year compared with, for example, the 78 sold by Mercedes' dealers and 95 by those handling Volvos.

The JRT network now has 430 dealers and in a normal year they would each be selling 145 cars. In spite of the fall in JRT sales last year the average throughput for each dealership was 111 cars and each remained profitable.

*Progress on trimming the net*work has been slower than it might have been because in many individual states a dealer once hired is virtually impossible to fire, because of local anti-trust laws. This means that suitable financial arrangements have had to be made to make them give up and go away.

With the vast majority of its cars being sold on the West Coast, JRT is still too heavily represented in the North East of the U.S. In 1968 there were 300 dealers in the North East and there are still 89, but JRT reckons the ideal number would be 55.

Legal action

The next step will be for JRT to take over its own distribution in the States. At present it splits the U.S. into eight areas and handles its own distribution in half of them. The remaining independent distributors have been told their contracts will end in March, 1980.

Three of them have negotiated agreed settlements but one, Royston Distributors, based in Pennsylvania and distributor for seven East Coast states, has begun legal action to stop the change. But Mr. Whitehead maintains: "We are confident we will be able to proceed and expect a successful outcome."

By taking over all its own distribution in the U.S., JRT will have more flexibility. It can either take the profit previously allocated to the independent distributors or sacrifice some profit by adjusting its prices to keep volume up. This latter step may, for example, be beneficial to BL as a whole when it wishes to keep the factories in the UK operating at a high level.

What it decides to do may well vary from model to model. For example, with half the TR7s destined for the U.S. market, any severe downturn in demand would give JRT in the UK major problems at Canley where it is now made.

However, it has already been decided that the Rover 3500 in its U.S. specification will be presented as a low-volume, high priced model, perhaps with a "sticker" price (or manufacturer's recommended retail price) in the region of \$14,000 when it is launched in January.

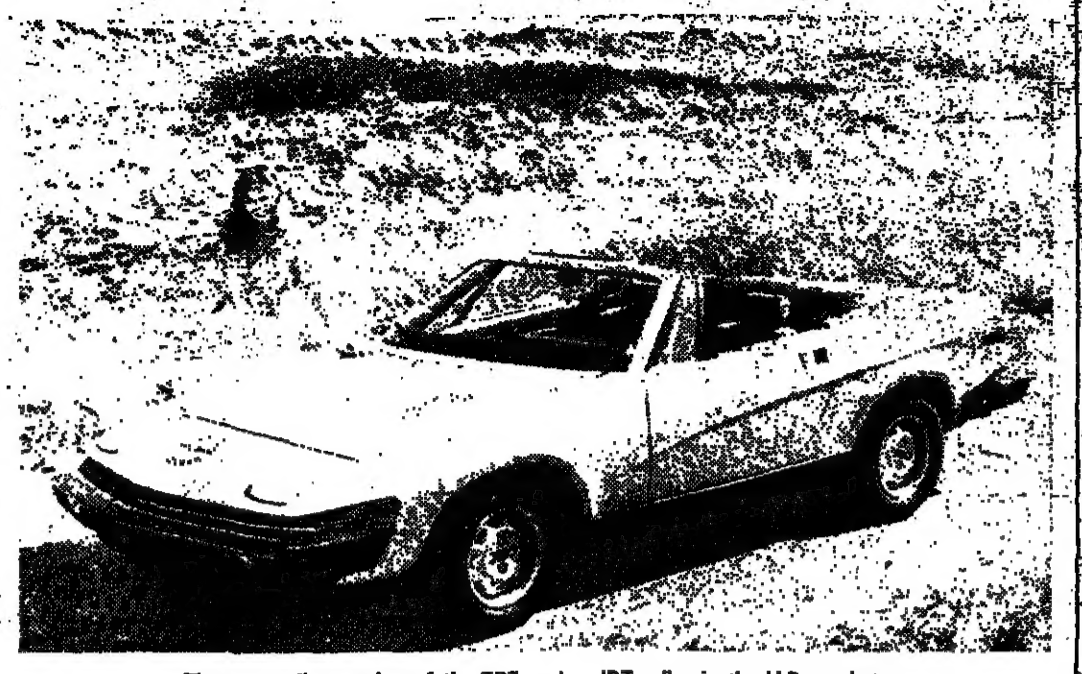
In the U.S. the Rover will be slotted into a highly competitive segment of the car market and be up against the Audis, Volvos and BMWs from Europe. All of them are well-entrenched but it is so long ago that the Rover name was used in the U.S. that it will be new to many potential customers. Some do know the marque and JRT's approach will be to capitalise on the American perception of the Rover as a sports car and sell it as "an adult sports car with the added bonus of four doors." Styling has particular importance in the States and if the shape of the Rover 3500 does get favourable reaction—and initial marketing surveys suggest it might—then the model might not be such a low-volume one after all.

In the past JRT has also suffered from the common BL complaint, a surfeit of models. In 1968 it was offering 23 models with 17 drivetrain (engine and gearbox and axles) combinations but selling only 60,000 cars. At that time General Motors, with 4.5m car sales, was using just seven drivetrain combinations.

Mike Dale, JRT's vice-president marketing, says the company has now reduced the list to seven models and five drive train combinations. This has enabled the group to improve its service back-up because it is easier to train mechanics on all the variations and they become more efficient because they are working on the same combination more frequently.

Another benefit of the reduction in variety of cars is that JRT is saving money on the emission control and safety tests all engines and models must take before being allowed to go on sale in the U.S. It costs at least \$1,000 a car sold to put the JRT vehicles through this testing procedure—not a big addition to a \$22,000 Jaguar but a considerable burden for the \$5,000 MG Midget.

Bruce McWilliams, vice-president product planning, suggests that, because of the tests and their cost, the ideal combination for any car manufacturer in the States from now on would be one engine, one transmission and two or three bodies with which to wrap them.



The convertible version of the TR7—a key JRT seller in the U.S market

Customised

Ironically, though, JRT is benefiting from this very trend. The U.S. groups are being forced by legislation to produce fewer varieties of cars and those that are supposed to be different look very much alike. So those motorists who want something out of the ordinary are either "customising" their cars—bolting on or sticking on bits and pieces to give a vehicle an individual personality—or by buying low-volume imports.

The other important factor is that sample vehicles have to undergo 50,000-mile tests to pass the emission control regulations: the component parts of any new JRT models will already have been "reliability tested" before they reach the market.

The backbone of JRT's American business is provided by the MGs and it was for this reason that responsibility for the MG plant at Abingdon in the UK was recently switched from Austin Morris to JRT.

After a disastrous experience with the Marina in the U.S. in the mid-1970s (it had the wrong specification for the States as well as suffering the inevitable supply difficulties) BL decided that its American business should be confined to specialist cars and not those made in volume.

Last year JRT sold 8,500 MG Midgets and around 19,000 MGB sports cars. This year the Midget is being phased out, MGB sales are expected to reach 22,000, up about 14 per cent.

The potential for the revised version of the TR7 and the soon-to-be-launched TR8, which incorporates a version of the Rover V8 engine, is for 30,000 in a full year. The vast majority of TR7s will be sold in the convertible form in the States.

Jaguar saloons, of which about 2,000 a year are sold in the U.S., are currently suffering from the petrol shortage—they are seen by customers as "gas guzzlers," even though in reality they are not. Sales of the Jaguar XJS, however, are forecast to move ahead from 3,500 in 1978 to 5,000 in 1980.

Summing up, Mr. Dale reckons the company could sell 75,000 cars next year but "a realistic forecast would be 65,000." At that level turnover should reach around \$425m.

He believes that an annual unit growth rate in sales of 15 per cent is well within the bounds of possibility for the medium term.

But, as in the past, the main factor affecting performance in the U.S. is likely to be supply, not demand. Graham Whitehead put it this way: "We will need continuity of supply and the momentum provided by new models to keep our position."

And that, of course, echoes the sentiments of most managers within the BL car operations as well as the people who hope to sell vehicles.

EMPLOYEE BENEFITS

UK pioneers of pre-retirement planning

IS AN employer responsible for his employees once they have retired? It is now accepted that companies should ensure that pension provisions are adequate, so that retiring employees do not suffer a drop in their standard of living. But how much further should companies go to ensure that employees have a happy and profitable time in retirement—often dubbed "the longest holiday in a person's life."

Surveys have shown that good health, comfortable housing and a fully occupied life are just as essential for an enjoyable retirement as is enough money. But most employees give little or no thought to any of these features before retirement and then find the transition a traumatic experience.

Whole-hearted

Pre-retirement planning can ease this transition, and the employer can considerably help by providing pre-retirement courses.

On May 29 an article on this page showed how one major company in the UK—Ford—had become extensively involved in preparing employees for retirement. More and more companies are adopting a similar practice, if only on the grounds that if they don't nobody else will either.

The previous article showed that Ford's operations in this field were proving successful because the personnel involved had thrown themselves wholeheartedly into the concept of pre-retirement counselling, working at it full time.

This is essential to the success of counselling, since it is very much a human relations exercise. The company can provide the finance, but if the people are not motivated or just not available, then what does the employer do?

An answer was given late last month by Britain's leading pensions company, Legal and General Assurance, when it launched its pre-retirement counselling service*.

As employers, Legal and General has provided a pre-retirement counselling service for its employees for many years, under the supervision of Christine Britton. She has thrown herself wholeheartedly into the scheme and now, based on that experience, L and G is offering a pre-retirement counselling service to employers, irrespective of whether they have an established connection with L and G.

The main service provided under this scheme is simply to arrange courses for employees approaching retirement. Put like that, it sounds easy. In practice, it involves a lot of planning and organisation.

Legal and General holds the view that the best means of communicating the problems and opportunities of retirement is on a two-day course, held in informal surroundings for about 15 to 20 employees and their spouses.

Examples of the subjects covered in a two-day course are: day 1, adjustment to retirement; company pension; holiday time; state benefits; local benefits and services; voluntary work/further employment; and day 2, financial considerations; fitness in retirement; motoring; leisure/relaxation, and safety in the home.

But L and G emphasises that this is not by any means a rigid programme. The keynote is flexibility, and fitting in with the employer's individual requirements.

A course would be arranged locally to suit the employees' needs, with local experts giving the talks. Although L and G arranges the speakers—people like local bank managers—it stresses that they are completely independent.

Another service is offered by Sedgwick Forbes Bland Payne, as part of its employee benefit consultancy service. The company has found that more employers are realising that they should do something, and are therefore looking to a consultant to provide the answer. Like L and G, Sedgwick had the advantage of having already operated a successful pre-retirement counselling service for its own employees.

Concentrated

Employers' use of a third party to handle the pre-retirement conditioning is all very well as far as it goes. But it is not likely to provide a complete answer to the needs of employees. Two days may sound like a long time, but a glance at the timetable shows how concentrated are the subjects. There cannot be much time for dealing with individual inquiries.

The employee is also likely to think of questions after the course is over. There should be a rapid follow-up service to each course, so that individuals can discuss their own problems. Many big companies' in-house courses allow for this.

Legal and General is aware of the problem, but has not yet decided on the best way of solving it. At the end of the day, it depends on how much the employer is prepared to pay for the service.

Eric Short

Easing into Retirement—Legal and General Assurance Society, Kingswood House, Kingswood, Tadworth, Surrey, KT20 6EU.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Unambiguous cheque

I filled in a cheque as follows: "Pay . . . one three seven three pounds 68" and on the next line wrote the figures "£1373-68" but the bank wrote to me saying that "this method of drawing cheques is in breach of banking regulations as to conform to the conditions of the Cheque Act the cheque must be drawn for a sum certain in money." Do you agree?

There is no provision in the Cheques Act 1957 of the kind mentioned by your bank. However Section 3 of the Bills of Exchange Act 1882 does require that a bill of exchange (of which a cheque is a variety) be drawn for a sum certain in money. However we take the view that the form of cheque of which you have supplied a copy is for a sum certain in money—any possible ambiguity in the words is cleared up by the figures. It is to be noted that the common practice of drawing cash from the bank on a cheque form which is completed to read "pay cash" does not comply with Section 3 of the 1882 Act, but banks regularly turn a blind eye to this practice.

Signing an indemnity

The certificates for some shares I bought through my bank some time ago, have, the bank states, never been received by them. In order to obtain duplicates I am asked to sign an indemnity completely in their favour, about which I am unhappy. What, please, do you advise?

The kind of indemnity to which you refer is very often required as a condition of the issue of a duplicate certificate, but this practice is in our view not justified. You may be able to rely on Section 80 of the Companies Act 1948 (which requires the company to issue a share certificate) if it can be established that no certificate ever reached you or your agents (as opposed to its having been received, but having been lost since).

Dismissal procedure

Could you please explain the procedure an employer must follow in order to dismiss an employee of less than six months' standing and also what right of appeal the employee might have?

There is no special procedure: notice should be given in accordance with the terms of the contract of employment, or if there are no express provisions as to notice of termination, one week's notice must be given if the employment exceeded 13 weeks. There is no appeal against dismissal as such.

*

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

هكذا من الأصل

IF A CITROËN CX CAN DO THIS ON THREE WHEELS, IMAGINE HOW SAFE IT IS ON FOUR.

CX2400 Pallas
... of optional extra.

Remove the nearside rear wheel of the Citroën CX with the engine running and the suspension at its highest setting, and the suspension automatically compensates to keep the car level.

More impressive, the car could now be driven on three wheels.

The practical benefit of all this becomes apparent when considered in terms of everyday driving conditions on the road.

If you had a blow out on any wheel at high speed the self-levelling suspension would allow the CX to continue on course as if nothing had happened.

Remarkable though this may be, the outstanding engineering achievement of hydro-pneumatic suspension is the way it combines an uncommonly smooth and comfortable ride with tenacious road-holding.

An additional contribution to road-holding comes from Citroën's VariPower steering. Extremely light at low speeds, VariPower scores over other power steering systems in that it grows progressively firmer with increasing speed on the open road. It also prevents wheels being deflected by loose stones or uneven surfaces.

The combination of front wheel drive with VariPower steering adds yet further to the car's handling characteristics.

The CX offers all this on one of the most luxuriously appointed range of saloon cars on the road today. It is a spacious car with superbly designed, cloth upholstered seats that are more comfortable than many a favourite armchair.

When you add it all up, the CX is truly remarkable.

But of course.

How else would you describe a car that can be driven on three wheels?

A selection of the 15 models in the CX range

Model	BHP	Top Speed	Price
CX2000 Super	102	109mph	£5795.62
CX2400 Super (5 speed)	115	112mph	£6479.58
CX2500 Diesel Super (5 speed)	75	97mph	£6732.48
CX2400 Pallas (5 speed)	115	112mph	£7131.15
CX2400 Pallas (C-matic)	115	111mph	£7335.47
CX2400 Pallas Injection (C-matic)	128	112mph	£7798.92
CX2400 GTi Injection (5 speed)	128	118mph	£7776.50
CX2400 Safari Estate	115	108mph	£6656.49
CX2500 Diesel Safari Estate	75	90mph	£7038.95
CX2400 Familiale	112	108mph	£6778.58
CX Prestige Injection (C-matic)	128	112mph	£10,416.41

Prices include car tax, VAT, and inertia reel seat belts, but exclude delivery charges £83.95 (inc. VAT) and number plates. Prices correct at time of going to press. All Citroën cars have a 12 months unlimited mileage guarantee. Check Yellow Pages for nearest dealer and ask about our Preferential Finance scheme. Please enquire about our Personal Export, H.M. Forces and Diplomatic schemes to: Citroën Cars Ltd.; Mill Street, Slough SL2 5DE. Tel: Slough 23808.

CITROËN CX

LOMBARD

Priorities and cash limits

BY PETER RIDDELL

A MAJOR and largely unappreciated change in the methods of controlling public expenditure has occurred in the last few months. This concerns the use of cash limits and has far-reaching implications for the way in which expenditure decisions are reached.

Public spending plans are traditionally decided in volume terms at constant prices. This allows the Cabinet to determine the balance within the public sector. For instance, the Budget measures included about £1.5bn of specific cuts in programmes.

In addition, cash limits have been used since 1976 to keep expenditure to planned levels in current prices. This has worked satisfactorily when pay and price rises have been predictable. Even in 1976-77, when prices on non-pay items rose by roughly 5 per cent more than the level originally allowed for, the limits as a whole were not increased and only two out of 125 limits were broken.

The consequent small squeeze on the volume of expenditure has in the past been regarded as almost accidental, though possibly helpful in stimulating efficiency. The position is different now, principally because the gap between expectation and outcome is larger than before. Public sector pay settlements have been well above the last Government's guidelines and the rate of price inflation has been faster than expected.

Manpower

In response the Labour Government set cash limits which would have reduced the planned volume of spending to offset some of these adverse effects. The Conservative administration has gone slightly further. Cash limits are now being used to support a general cut of 3 per cent in civil service manpower costs instead of a reduction of at least 2 per cent proposed by Labour.

In many respects this is sensible. Sir Anthony Rawlinson, the Treasury Second Permanent Secretary responsible for public spending, has argued that to treat volume spending plans as unalterable if inflation rises faster than expected is in effect to index them. This would lead to accelerating cash expenditure and would contribute to inflation.

Finance should clearly determine expenditure and it is wrong that public sector pay rises should be automatically financed. But the Government is making a virtue out of the necessity of a deliberate generalised volume squeeze. Mr. John Biffen, the Chief Secretary, has claimed that an advantage is that the "effects are fairly evenly spread between capital and current expenditure. It also leaves those responsible for spending the money to decide their own priorities and their own methods of effecting the necessary savings, working within the stated cash allocations."

Misery for all

In short this represents a return to the familiar "misery for all" method of spending cuts but with the important difference that decisions on specific items are not taken by the Cabinet but by programme managers. This avoids the need for possibly acrimonious Cabinet debates about spending cuts and priorities.

This approach may have been necessary in the unusual circumstances of this year but the precedent should not be followed. Such a large squeeze may not be sustainable for more than a year after, for instance, the end of recruitment bans. Mr. Joel Barnett, the former Chief Secretary and a strong supporter of the use of cash limits, has already warned that there may be an element of double-counting in the Budget calculations.

The plausibility of cash limits is also called into question when, as this year, they have to be completely revised only a couple of months after the start of the financial year. Apart from the specific programme cuts this was principally to take account of public sector pay deals well above the original pay policy limits. It would be far more sensible if cash limits were fixed after the completion of such negotiations. This need not mean that high pay awards are automatically financed but it would make the limits more realistic and effective.

A more fundamental question is whether cash limits should anyway be used as more than just as a financial discipline. There may be something to be said for decentralising more expenditure decisions. But a generalised squeeze, as this year, is arbitrary between programmes which have varying priorities in the eyes of both Ministers and voters. Such key issues should be decided by the Cabinet, not through the back door.

Waterway joys

BY LYNTON McCLAIN

BRITAIN'S holiday boat industry is looking forward to a period of calm this summer. There may even be prosperity after a winter dominated by pay disputes, uncertain weather and dramatic tales of aqueducts, bridges and tunnels in imminent danger of collapse through old age.

Fortunately for the hire companies, the boat builders and the holidaymakers, urgently needed repairs are now under way and a five-year £25m programme, promised by the last Government after nine years' delay, gives grounds for future hope.

Bookings this April were said to be a third up on last year, when an estimated 500,000 people took to the waterways for their summer holidays.

The assurance from the Association of Pleasure Craft Operators that no holidays will be spoiled by further closures in the summer will be welcomed by the holiday makers. Mr. John Williams, the association's chairman, said most of the members' boats do not go more than 50 miles from base. "By juggling routes we will be able to give everyone what they have paid for."

The large increase in bookings so far this year reflects the enthusiasm of Britons and tourists from overseas for waterway holidays. The holidays have the virtues of being convenient, reasonably priced—at around £65 per person per week in the summer—and away from the crowded motorways and beaches.

The enthusiasm has also made the pleasure boating industry a respectable home for investment capital. Up to a third of Britain's estimated 5,000 pleasure boats for hire are owned by individuals or investment companies as an almost guaranteed way of reaping a steady income. A boat can yield up to £4,000 in profits over a well-booked summer season.

Behind the investors' interest lies a steady 8 per cent growth record for the hire boat industry. The most rapid increase took place after World War II and reached a peak in 1972, in a rapid spurt of growth closely related, according to boat operators, to the interest shown by holidaymakers in BBC programmes on the canals as places for recreation. There were over 60,000 boats registered or licenced by the Rivers Yare, Bure and Waveney commissions, by the BWB, the Thames Conservancy and the Anglian Water Authority in 1977.

The estimated 500,000 people who took holidays on the canal and waterway system in the year ending April, 1978, produced a total revenue for the hire boat operators of almost £6m, according to the Ship and Boat Builders National Federation. This compared with £6.3m in 1976/77. But the income from hire charges takes no account of the £4.3m income from mooring and storage charges in 1977/78, which rose from the £2.4m of the previous year.

This prosperity was welcome after the downturn in the twin years of drought, 1975 and 1976, when many first-time waterborn holidaymakers found difficulties they had not envisaged while poring over the travel brochures. Many canals and waterways ceased to be the lazy, winding bands of blue stretching through the hazy English countryside. The haze was there all right, but the water often wasn't. The income from hire charges was only just above £1.5m in 1974-75, according to the Federation.

By raising their charges two years ago to compensate for the poor returns of the drought years, many hire companies lost more custom. The "halcyon years" of 1972 and 1973 seemed a long way off, until this April, according to Mr. James Hoseason, the chairman of the 30-year-old Lowestoft boat holiday booking company of the same name.

The boom in popularity of waterway holidays in those years is unlikely to be repeated this summer. Part of the problem is lack of water space rather than lack of demand.

The Norfolk Broads have a total of 2,100 hire boats available, compared with 2,000 boats 10 years ago. The slow growth in boat numbers reflects the Broads "finite water resources" according to Mr. Hoseason. Congestion is already a minor problem at certain popular areas of the Broads and on the canals, at junctions such as the Fradley Junction in the Midlands.

The Broads accounted for half the total of UK boat hire holidays last year. The Thames was the second largest and fastest growing area, with 500 boats for hire compared with 380 boats a decade ago.

But the fastest growth in the number of hire boats available has come from the canal and river networks, ranging from Regent's Park in London to Lancaster. There is now a hire fleet of 1,600 canal boats, double the number of only seven years ago.

All the boats are traditional canal narrow boats, but even in this high growth area, there is every sign that the rapid rise may be tailing off.

This is reflected in the halving to 20 of the number of specialist narrow canal boat builders still in business compared with only seven years ago.

Ten per cent of the holidaymakers are from overseas and it may appear odd that a foreigner should want to spend his holiday in industrial Macclesfield, Kidsgrove, Manchester and Middlewitch, Cheshire.

The greatest attraction, however, is the Peak Forest National Park, which is threaded by the canal over much of its length.

Not all the stretches of Britain's canal network would lay claim to this industrial interest and natural beauty. There are many stretches where the canals are a sore sight for eyes, foreign or native.

The British Waterways Board, which has statutory duty to maintain 2,000 miles of waterway in Britain, has been quietly describing the need for essential repairs and maintenance work on its canals as "urgent" for nine years. It would then have needed £21.8m to meet the arrears of maintenance.

This had risen to at least £60m by last year and the first Government aid of £10m towards the £25m repair programme to 1983 for these repairs only became available last year.

Robin Lane-Fox is ill and expects to resume his gardens features in two weeks' time.

Jeff Jones

Northleach weighted to win

RACING

BY DARE WIGAN

NORTHLEACH IS the type of horse that most people would be pleased to own, for he has won more than his share of races.

Although Raceform Notebook (whose comments I normally subscribe to) dubbed him a rogue following an inept display when odds-on favourite for a handicap at Newcastle on Easter Monday, I prefer the Racehorses of 1978 assessment of "genuine and consistent."

Which of these two conflicting criteria is the more accurate will be decided by the running of the Friend-James Memorial Handicap (2.30) at Brighton this afternoon. There is no denying that Northleach is weighted to win judged on the balance of form.

Local trainers look like having a say in the destination of several of today's prizes at Brighton. Apart from J. Dunlop, the trainer of Northleach, M. Bolton, whose Lewes stable failed to land a gamble when Crown Major was narrowly defeated at Yarmouth last month, can retrieve losses in the Kingston Selling Stakes (3.00), and Azd, trained by Michael Masson, also at Lewes, has Solar Gift and Dominator to beat in the Pevensey Handicap (4.00).

Switching from Brighton to Yarmouth, I expect Michael Stoute to win the Somerleyton Stakes (2.15) with Broad Principle, who ran on well in the closing stages of the Chesham Stakes at Royal Ascot, and who will be suited by the additional furlong here. Stoute can complete a double with Philigree, an improving filly, who trotted up over 13 furlongs at Ayr last month, in the Martham Stakes (3.45).

At Carlisle, Priestcroft Boy, who has yet to run a bad race this season, will require some beating in the Tennant Caledonian Carlisle Bell Handicap (3.15).

BRIGHTON
2.30—Northleach**
3.00—Crown Major*

YARMOUTH
2.15—Broad Principle***
3.15—Queen's Pride
3.45—Philigree

CARLISLE
3.15—Priestcroft Boy
4.15—Carnival Dance

Peyton opens BR centre

MR. JOHN PEYTON, MP, officially opened British Rail's Nottingham Computer centre yesterday and named it John Peyton House.

It is an operational centre where the processes include payroll, stock control, work scheduling and financial applications for BR and BR Engineering. The building has been named in appreciation of Mr. Peyton's support for BR during his four years as Transport Minister.

TV/Radio

† Indicates programme in black and white

BBC 1

10.55 am-1.15 pm Cricket: Benson and Hedges Cup semi-final: Essex v. Yorkshire. 1.30 Barnaby. 1.46 News. 1.55 Tennis and Cricket: Wimbledon and Benson and Hedges Cup semi-finals. 4.18 Regional News for England (except London). 4.20 Play School (as BBC-2 11.00 am). 4.45 Vision On. 5.10 Go With Noakes.
5.40 News.
5.55 Nationwide (London and South-East only).
6.15 *Wimbledon highlights.*
7.40 The Liver Birds.
8.10 The Omega Factor.
9.00 News.
9.25 Kojak.
10.15 Americans.
11.05 Tonight.
11.45 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Scotland—9.45 am Magic Roundabout. 9.50 Jackanory. 10.05 Don and Pete. 10.10 Desert Adventure. 10.35-10.55 Take Hart. 5.55-6.15 pm Reporting Scotland. 11.45 News and Weather for Scotland.

Wales—5.10-5.40 pm Bilidowcar. 5.55 Wales Today. 6.15 Heddiw. 6.35 Join BBC-1 (Wimbledon). 11.45 News and Weather for Wales.

Northern Ireland — 4.18-4.20 pm Northern Ireland News. 5.55-6.15 Scene Around Six. 11.45 News and Weather for Northern Ireland.

England—5.55-6.15 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

10.20 am Gharbar.
11.00 Play School.
2.00 pm Tennis and Cricket: Wimbledon and Benson and Hedges Cup semi-final.
8.00 News.
8.10 Georgia O'Keeffe: tribute to the American painter, now 92 years old.
9.00 Peasants, Politicians and Power.
10.20 Wimbledon highlights.
11.10 Late News.
11.25 Cricket: Benson and Hedges Cup semi-final (highlights).
11.55 Closedown.

LONDON

9.30 am Schools Programmes. 12.00 The Adventures of Rupert Bear. 12.10 pm Once Upon A Time. 12.30 The Sullivans. 1.00 News plus FT index. 1.20 Thames News. 1.30 Crown Court. 2.00 *Afternoon Plus At Home.* 2.25 General Hospital. 3.20 About Britain. 3.50 Definition. 4.20 The Sooty Show. 4.45 Enid Blyton's Famous Five. 5.15 Batman.
5.45 News.
6.00 Thames At 6.
6.25 Help!
6.35 Crossroads.
7.00 Don't Just Sit There.
7.30 Coronation Street.
8.00 You're Only Young Twice.
8.30 Best Sellers.
10.00 News.
10.30 Here Today, Here Tomorrow.
12.00 Critics, presented by Chris Dunkley.
12.15 am Close: Personal choice by Kenneth Connor.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm *Anglia News.* 2.00 Houseparty. 5.15 Mr. and Mrs. 6.00 About Anglia. 12.00 Police Surgeon. 12.30 am The Big Question.

ATV

12.30 pm The Story of Wine. 1.20 ATV Newsdesk. 2.25 The Royal Show. 5.15 Sam. 6.00 ATV Today.

BORDER

1.20 pm Border News. 2.00 Houseparty. 2.25 The Royal Show. 5.15 Gambit. 6.00 Lookaround Wednesday. 12.00 *Border News Summary.*

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where. 5.15 Emmerdale Farm. 6.00 Channel News. 6.10 One Man's Music. 10.28 Channel Late News. 12.00 Police Surgeon. 12.25 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.45 am First Things. 9.50 The Lost Islands. 10.10 Man From Atlantis. 10.56 The World of Wizards. 11.50 Cartoon. 1.20 pm Grampian News Headlines. 2.25 The Royal Show. 5.15 *Emmerdale Farm.* 6.00 Grampian Today. 12.00 Reflections. 12.05 am Grampian Late Night Headlines.

GRANADA

1.20 pm Cartoon. 5.10 The Undersea Adventures of Captain Nemo. 5.15 *Crossroads.* 6.00 Granada Reports. 6.30 The Squirrels. 12.00 A Question of Sex.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Emmerdale Farm. 12.00 George Hamilton IV.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 4.20-4.45 'Rydw I Am Fod. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.25-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

9.30 am Castaway. 9.55 Clue Club. 10.20 Finnish Nature. †10.30 Feature Film: "Life Begins At 8.30," starring *Monty Woolley and Ida Lupino.* 11.45 Flying Birds. 1.25 pm News and Road and Weather. 2.25 The Royal Show. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today Summer Extra. 6.30 Talking Scots. 12.00 Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 The Royal Show. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day By Day. 6.35 Scene Mid-Week (South-East area only). 8.00 "Love and Pain and the Whole Damn Thing," starring Maggie Smith and Timothy Bottoms. 12.00 *Southern News Extra.*

TYNE TEES

9.25 am The Good Word followed by North-East News Headlines. 1.20 pm North-East News and Lookaround and Where The Jobs Are. 5.15 The Brady Bunch. 6.00 Northern Life. 12.00 The Odd Couple. 12.30 am Epilogue.

ULSTER

1.20 pm Lunchtime. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Look And See. 6.30 The Flintstones. 12.00 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 *Emmerdale Farm.* 6.00 Westward Diary. 10.28 Westward Late News. 12.00 Police Surgeon. 12.25 am Faith For Life. 12.30 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 5.15 Gambit. 6.00 Calendar (Emley Moor and Belmont editions). 12.00 The Entertainers featuring Roger Whittaker.

(S) Stereophonic broadcast

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul *Burnett.* 2.00 pm *Tony Blackburn* 4.31 Paul Gambaccini. 7.00 Radio 1 Mailbag. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2. 2.03 pm Pete Murray's Open House (S) (continued from Radio 2 12.30 pm). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 John Dunn (S). 7.00 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am *News Summary.* 5.02 Tony Brandon (S). 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) (continued on VHF). 2.03 Wimbledon 79 including 4.30 Waggoners' Walk. 7.02 The Organist Entertains (S). 7.30 Sports Desk. 7.33 Listen to the Band (S). 8.15 The Magic of the Musicals (S). 9.02 Noel (S). 9.55 Sports Desk. 10.02 The Impressionists. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew with Round Midnight including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Mendelssohn (S). 10.00 Mozert and Dvorak concert (S). 11.00 Music for Organ (S). 11.45 Schumann and Wolf choral concert (S). 12.15 pm BBC Scottish Symphony Orchestra, part 1 (S). 1.00 News. 1.05 BBC Scottish Symphony Orchestra, part 2 (S). 1.50 Oboe and Piano Music (S). 2.25 Telemann (S). 3.00 Fifty Years of British Music (S). 3.55 BBC Welsh Symphony Orchestra (S). 5.10 Young Music-Makers (S). 5.25 Homeward Bound (S). 5.45 News. 5.50 Homeward Bound (S). 6.15 At Home (S). 7.10 BBC Northern Symphony Orchestra, part 1: Martinu, Shostakovich (S). 8.15 The Arts Worldwide. 8.35 BBC Northern Symphony Orchestra, part 2: Arnold (S). 9.05 The Daedalus Dimension by Frederic Raphael (S). 10.15 Reger and Pfitzner song recital (S). 11.00 St. Alban's Festival 1979 (S). 11.55-12.00 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Gardeners' Question Time. 9.35 God in My ... News. 10.05 The Living World. 10.30 Daily Service. 10.45 Morning Story. 11.00 The Magic of Music. 11.45 *Listen With Mother.* 12.00 News. 12.02 pm You and Yours. 12.27 I Like Spike (S). 12.55 Weather, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong (S). 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather, programme news. 6.00 News. 6.30 The Enchanting World of Hinge and Bracket (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 In God We Trust: The effect of Christianity on the United States. 8.30 Richard Stilgoe with the BBC Sound Archives. 8.45 Analysis: Down with Skool! 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Round Europe Quiz. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time. 1.05-5.00 Join Radio 2.

London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8.00 pm LBC Reports with George Gale at 3.00. 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Open Line (S). 9.00 *Your Mother Wouldn't Like It.* 11.00 ... Show (S). 2.00 am ...

F.T. CROSSWORD PUZZLE No. 4,012

ACROSS
1 Dramatic type of store personality (5, 9)
10 Let down by noisy cow (5)
11 European joins spring sporting event (4, 5)
12 Dog on a hill needs a keeper (7)
13 Cowman raced with third-rate female (7)
14 Desmond came back round Virginia and was redeemed (5)
16 Displeased when put out of action (9)
19 Warder from southern Ireland used to clear bottlenecks (9)
20 First person turned round and bumped into bill worker (5)
22 Wood from which bats emerge (7)
25 Develop golf championship away from home (4, 3)
27 Part of crew using inferior pack of cards (5, 4)
28 Farewell to a sound subscription (5)
29 Drove professionally but was hard up (6, 3, 5)

DOWN
2 One of London's sights finished by dwarf (5, 4)
3 Thanks motor club upset by gold standard (5)
4 Policeman drawing on North Eastern Railway for business colleague (9)
5 More competent sailor left on Queen Elizabeth (5)
6 Dare to notice enterprise (9)
7 Small amount of perception (5)
8 Stopped work and changed wheel cover (7)
9 Loud beats in cinema (6)
15 Talk of the devil on route (9)
17 Magazine unaccustomed to special delivery at Lords (3, 6)
18 Speed ascent of play for time (9)
19 Beastly impertinence is a bloomer (7)
21 Adds a wee dram—just a small mouthful (4, 2)
23 Rule Kings? Goodness me (5)
24 Girl upset footballers in association with bundle (5)
26 Time to see poetic muse (5)

Solution to Puzzle No. 4,011

ENTERTAINMENT GUIDE

OPERA & BALLET

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THEATRES

GREENWICH THEATRE. CC. 01-858 7755. Evenings at 8.00 (sharp). Mat. Sat. 2.30. "Pirandello's great play." Ev. Std. SIX CHARACTERS IN SEARCH OF AN AUTHOR

by JAMES SAUNDERS
"THE IMPACT HIT ME LIKE A THUNDERBOLT FROM JOVE. THE LANGUAGE BLAZES WITH WIT AND INTELLIGENCE AND ITS THEME ELECTRIFIES." Daily Mail.
BODIES
"WHEN WE HAVE LAUGHED AT ITS WIT, BEEN HELD IN THE GRIP OF ITS DRAMA AND REVELLED IN THE COLOURS AND LAYERS OF ITS LANGUAGE BODIES STILL RAISES ECHO AFTER ECHO IN OUR MINDS AND HEARTS. DINSDALE LANDEN'S PERFORMANCE IS WORTH GOING MILES TO SEE." Bernard Levin.
BODIES
"MR. LANDEN GIVES WHAT I INSIST IS THE BEST PERFORMANCE IN MODERN PLAY NOW TO BE SEEN IN LONDON." E. News.

APOLLO THEATRE. CC. 01-437 2663. Evs. 8.00. Sat. 5 and 8. Mat. Th. 3.00. IAN LAVENDER CHRISTOPHER TIMOTHY JULIA FOSTER in HAPPY BIRTHDAY. A VERY FUNNY NEW COMEDY BY THE AUTHORS OF "BOEING BOEING" "FEYDEAU LIVES CA VA!" Gdn. "IT WILL PROBABLY RUN AND RUN." Daily Mail.

ARTS THEATRE. 01-836 2132. TOM STOPPARD'S DIRTY LINEN. "Hilarious ... do see it." Sun. Times. Monday to Thursday 8.30. Friday and Saturday 7.00 and 9.15. NOW IN ITS 4TH YEAR.

ASTORIA. Charing X Rd. S CC. 01-734 4291 or 439 8031. Mon.-Thurs. 8 pm. Fri. and Sat. 6 and 8.45 pm. LIVE ON STAGE "GREASE" "ENERGY, VITALITY AND SHEER EXUBERANCE." Daily Express. "GREASE" AS SLICK, SMOOTH AND SLEEK AS SHOULD BE—The Sun. "GREASE" Group booking 01-437 3856. ½ hour before show—best available seats ½ price.

BOULEVARD THEATRE. Walkers Court, Brewer St., W1. 437 2661. JEREMY TAYLOR. Tues. to Sat. 8.30. Sun. 5.30.

CAMBRIDGE. 01-836 6056. Also opens Sun. 11 am-7 pm. CC. 01-836 7040. Mon.-Thur. 8.00. Fri. and Sat. 5.00 and 8.30. THE CRITICS RAVED ABOUT ... CHICAGO. THE HIT BROADWAY MUSICAL. Group bookings 01-437 3856.

CHICHESTER FESTIVAL THEATRE. 0243 781312. Season sponsored by Martini & Rossi. THE DEVIL'S DISCIPLE Tonight, Tomor. Sat. 7.00. THE EAGLE HAS TWO HEADS. Fri. 7.00. Tomor. & Sat. 2.00.

COLLEGIATE THEATRE. 01-388 7024. 387 9629. Tom Stoppard's latest play. DOGG'S HAMLET, CAHOOT'S MACBETH by The British American Repertory Company. World Premiere Tour. Ltd. Engagement July 9-Sept. 1.

COMEDY THEATRE. CC. 01-930 2578. Mon.-Sat. 9.00. Mats. Fri. and Sat. 6.30. THE ONLY ROCK 'N' ROLL SHOW. THE ROCKY HORROR SHOW. SNACK BAR OPEN 1 HR. BEFORE PFS.

CRITERION. From 8.30 am inc Suns. 930 3216. CC bookings 836 1071. Opens Ton't at 8. Subs. Mon.-Thurs. 8. Fri. and Sat. 5.30 and 8.30. IAN McKELLEN TOM BELL

FINANCIAL TIMES SURVEY
Wednesday July 4 1979

Spanish Exports

A remarkable growth in exports has enabled Spain to close its trade gap significantly. But the government's indecisive enonomic policy since the general election in March and above-target inflation levels have sapped business confidence. A series of price increases resulting from international energy movements is adding to the uncertainties.

Growth that has no parallel

By Robert Graham Madrid Correspondent

THE CONTINUED strong performance of Spanish exports has been a lifeline for the country's depressed economy. For the second successive year Spanish exports have shown dynamic growth—a growth that has no parallel in the other major industrialised countries.

Where the OECD average growth in exports was 5 per cent last year, Spanish exports increased 29 per cent in peseta terms and 27 per cent in dollar terms. This was despite mid-year predictions that there would be a levelling off by the year end.

Indeed such a levelling off has only begun to be evident now. Even so the 1979 performance will certainly be above the European average.

On average, Spanish exports have enjoyed an annual growth in peseta terms of 31 per cent in the past two years against annual average inflation of 22 per cent. At the end of 1978 total exports had reached Pta 1,001bn.

Considerable changes in the peseta's parity with the dollar distort conversions but when measured in dollars, Spanish exports rose from $8.7bn in 1976 to $13.1bn by the end of 1978. In the first four months of the current year, export earnings were $5.6bn.

This has had a tremendous impact on the balance of trade. In a remarkably short space of time, Spain has managed to close its trade gap significantly. Two years ago exports covered imports by only 49 per cent, now the cover is up to 70 per cent.

Spanish officials still seem bemused by this performance. Spain after all is not traditionally a big exporter and the Franquist economic structures were protective and inward looking. The benefits of trading in the domestic market were substantial, in most cases sufficient to deter manufacturers from broadening their horizons.

The rapidly expanding Spanish market of the 1960s and early 1970s provided all the opportunities that most businessmen wanted. So it is not surprising that a comparatively small proportion of GNP (10 per cent) derived from exports.

The present situation stems from a peculiar combination of circumstances. Arguably the single most important factor has been the domestic recession. The recession began in 1975 but it was not fully felt until 1977, biting deeper in 1978, from experiencing growth rates of 7 per cent in some sectors, manufacturers found themselves facing a stagnating local market.

Idle capacity — up to 30 per cent — could be turned to good effect only by switching to export. In many cases this became even more imperative because in 1974-75 major new investments in plant were made — based on the former high-growth assumptions, and ignoring that Spain too might be affected by the 1973 oil crisis. So some of Spain's biggest companies, such as the paper group Sarrio or the electrical components group, Femsa, were saddled with costly financial burdens and overcapacity.

To the burden of idle capacity was added a tight government money policy. So to ease cash flows it became essential for companies that were already exporting to raise the export percentage in their turnover, while others switched for the first time to exports.

Edge

Such a switch had the further advantage of prompter payment than domestic sales, where purchasers too suffered—and continue to suffer—from a liquidity shortage. Some municipalities for instance are up to 18 months behind in paying suppliers.

To what extent cash flow problems have obliged companies to sell goods abroad at cost or below cost is not clear, but certainly this has been considered preferable to closing down plant.

Another vital factor in promoting exports was the 22 per cent peseta devaluation in July 1977. This gave Spanish exports an important competitive edge both within the European Community which absorbs 46 per cent of Spanish exports, and in expanding markets like the Middle East and Latin America.

Parallel with this the Government made efforts to raise the amount of credit available to exporters. This was a double-edged policy however. Industrialists complained last year that too much of the 15 per cent increase in private sector credit went to export, so affecting the overall availability of credit.

The need to turn more towards exports combined with a certain new maturity among many managements, who recognised the importance of pinning future growth, at least in part, on foreign sales. In other words, Spanish manufacturers were ready to take advantage of the opportunity when it arose.

They deserve more credit than the Government—which incidentally has made very little effort to publicise Spain's performance. As yet the Government is poorly equipped to assist exporters and promote Spanish goods. EEC members counter, however, by saying that Spain has greater, and unfair, fiscal advantages for its exporters.

Looking back over the past two years, the pattern of exports has been relatively uniform. All sectors have registered high growth although agricultural sales have been at a slower pace. For instance, last year sales of industrial goods increased 31 per cent in peseta terms against 20 per cent for agricultural products.

Spain has had considerable success in all sorts of capital equipment, machinery, electrical goods — items requiring intermediate but not high technology. Despite difficulties, traditional exports such as textiles, shoes and cement have held up well. The domestic recession has also prompted an inevitable rise in sales of steel and steel products, giving rise to fears in some instances in Europe and the U.S. of dumping.

At one level the continued growth of Spanish exports must depend upon the state of the domestic economy. Once order books fill up and a recovery takes root, a number of manufacturers will revert to the local market.

But since mid-1978 a recovery has been expected, yet even now its prospect remains elusive. Business confidence in the wake of the March general elections has evaporated because of the government's indecisive economic policy and inflation levels which are above the mid-year target of 6.5 per cent.

Serious

The uncertainties are now being added to by a whole series of price increases resulting from international energy price rises. Put together, this creates a picture in which few can foresee the beginnings of a recovery before the last quarter, if not early 1980.

Assuming therefore that for the rest of 1979 Spanish manufacturers will suffer from the same domestic constraints, they will have to compete now in much tougher conditions. The industrialised countries — two-thirds of the market for Spanish goods—can only record lower growth rates, at least temporarily, in the wake of the latest OPEC price rises.

At the same time, and potentially more serious for Spanish exporters, Spain's goods have lost their competitive edge. Not only has the peseta recouped against the dollar, the main traded currency, it has appreciated above the July 1977 parity. This has been due to a combination of large capital inflows owing to easy credit abroad and tight money at home, exceptional tourist receipts, low levels of imports and healthy export earnings that have boosted reserves to almost $12bn.

The authorities have preferred to let the peseta appreciate, resisting demands by exporters for a measure of devaluation. While this policy undoubtedly has helped restrain inflation it is proving increasingly damaging to exporters. "We cannot export much longer at 66 pesetas to the dollar" is a universal cry among exporters. When you consider that the peseta was 80 to the dollar 18 months ago this is not surprising.

The latest survey of business opinion conducted by the Ministry of Commerce in March and April shows a decline in foreign orders attributed in large part to the exchange rate. Other reasons cited for the decline are an overall drop in competitiveness and lower international demand. Yet with the next two months witnessing the biggest seasonal inflow of foreign currency, resulting from the peak tourist season, any immediate change in the peseta is unlikely.

Indeed, officials at present do not anticipate the peseta moving much beyond 68 to the dollar. Therefore exporters will have to live, for this year, with this handicap.

A further handicap is the continued sharp increase of production and financial costs. Wages rose by more than 20 per cent in 1978 and this year the 12 per cent average laid down by the government will have to be adjusted to take account of higher inflation. The average wage increase could exceed 14 per cent.

Production costs will also be hit by sharp rises in energy prices, including a reduction in the existing subsidy on fuel oil. Meanwhile, interest rates remain high and the poorly-developed financial market makes medium-term finance difficult and costly.

Unrest

This must affect not merely short-term competitiveness but also the longer term, especially if managements fail to adopt more modern methods. Another factor bound to influence the export picture is the question of labour relations. This year serious industrial unrest in every sector has accompanied the negotiation of new wage and work condition agreements.

Relations between the trades unions and employers are problematical, and the two sides are far apart on a whole range of labour laws that the government is pledged to introduce. If the trades unions feel bulldozed by a government that they see supporting management, then industrial relations will deteriorate, leading to a consequent loss of productivity.

These problems tend to affect purely Spanish companies more than international ones, where management is more experienced and the financial structure not dependent upon one (weak) source. So it is these companies that are now in the forefront of the exporting league and most confident about Spain as an operations base.

Ford, whose plant has been operational only since 1976, is Spain's leading exporter. The recent decision by General Motors to establish a similar export-orientated plant in Spain means that the country is destined to become one of Europe's leading auto-exporters by the late 1980s.

Unfortunately this development appears to have been approved by the Government without any clear idea of what type of sectors Spanish exports in the future should be concentrated in. For instance, does Spain want to house piecemeal expanding European/multinational industry as part of an enlarged Common Market of which it will be a member? Or should it concentrate on specialised sectors?

For the moment the Government's mind is being made up by outside forces like General Motors.

EEC takes the major share

A KEY element in the continued increase in Spanish exports has been the ability to penetrate the European Community's markets. Exports to the Nine increased 29 per cent last year and in the case of some individual members such as France the growth rate was substantially higher.

This increase contrasts starkly with the rate of imports from the Community, which was four times lower. Further, by sustaining this penetration, the EEC reinforces its role as the single most important market for Spanish exports.

The Community now accounts for just over 46 per cent of Spain's total exports. In contrast, the EEC countries have a much smaller share of the Spanish domestic market: although this share has been increasing and now stands at 34 per cent. In the future the share will almost certainly rise further.

Within the Community the main purchasers of Spanish goods are respectively France, West Germany, the UK and Italy. Neighbouring France traditionally has been the largest purchaser of Spanish goods and it now absorbs 35 per cent of all Spanish exports to the EEC with a Peseta value of Pts 166bn.

France and Germany between them account for almost 60 per cent of all Spanish exports to the Community. Put another way, these two countries alone buy 27 per cent of all goods exported by Spain.

Other European countries account for a relatively small slice of Spanish exports. EFTA countries, with whom Spain has just concluded a new preferential agreement, buy under 7 per cent of Spain's total exports.

However, trade with neighbouring Portugal has begun to increase and absorbs 2 per cent of total exports. Perhaps of more long-term significance is the gradual increase of Eastern Europe as a market for Spanish goods, especially since 1975.

Political

Though small in relative terms—accounting for about 3 per cent of total sales — it nevertheless is regarded as a growth area. This is mainly because trade has reflected in the low level of political ties. Indeed, Romania is the only Comecon member to have had formal political ties dating more than five years.

Contrary to popular belief, Latin America absorbs surprisingly little. Public statements about strong Latin American ties may reflect emotional and cultural links, but not commercial reality. Last year Latin America, including central America and Mexico, accounted for just under 10 per cent of total Spanish exports.

Indeed, over the previous year the percentage share was marginally smaller, primarily because both sales to Brazil and Cuba fell back. Spain's main Latin American clients are Venezuela, Argentina, Brazil and Mexico — in that order.

Of these, Venezuela is easily the most important. Last year Venezuela purchased Pts 26bn-worth of goods. Argentinian purchases were under half this. It is noteworthy that Mexican purchases were increasing fastest (65 per cent up in 1978) although Venezuela is not far behind.

The North American market, meanwhile, continues to absorb approximately 10 per cent of total exports, the bulk of which are sold to the U.S. It is perhaps worth underlining here *the huge imbalance that exists* in trade with the U.S. Spain imports over double the amount in money terms that it exports to the U.S. Last year Spain had a negative trade balance with *the U.S. of $1.3bn.*

One market that is playing an increasingly important role in the export pattern is the Maghreb. Here, Spain has profited from its close proximity and former ties. Now Algeria and Morocco alone account for about 5 per cent of Spanish exports. The value of these two markets is almost the same, with Moroccan purchases marginally more important.

When looking for export opportunities in Arab countries Spanish exporters have tended *to focus more on the Maghreb.* As a result Morocco is the single most important Arab purchaser of Spanish goods (Pta 27bn). Saudi Arabia, for instance, buys almost half the equivalent of Morocco, even *though for several* EEC members the former has become the leading Arab buyer.

This is in part the result of Spanish exporters' slowness in exploiting the oil boom. It is also a reflection of the domestic economy in 1973-74 which was still straining productivity capacity. In 1978 the Arab market as a whole, plus Iran, absorbed almost the same amount of Spanish goods as Latin America.

Is this pattern of geographical exports likely to change? Most are agreed that the pattern will shift only marginally—certainly up until 1983 when Spain is due to join the Common Market. The growth areas undoubtedly remain Latin America and the Middle East.

Arguably, the share of these two areas could increase, both as a result of Spanish exports becoming better known and as a cumulative effect of greater *trade promotion.*

Spanish exporters are also likely to be affected by the Iranian situation. Iran was, after Morocco and Algeria, the most important Middle Eastern market, and *surprisingly last* year trade increased 140 per cent to Pts 19.8bn. But if this is a serious potential loss, efforts by the Government to carry out a more active policy in Black Africa could be rewarded. Nigeria, for instance, bought Pts 13bn-worth of goods in 1978, a 37 per cent increase.

In the end, Spain's main trading partners are conditioned by the type of products it has to sell. Since an important element in Spanish exports remains agricultural produce, *and most of it fresh, it is* most convenient to sell within Europe—the logical market.

Declined

Since the early 1970s foodstuffs exports have declined slightly in volume terms to the Community. Nevertheless they still account for 25 per cent of all EEC purchases from Spain. *This is slightly higher than the* percentage of the latter in total Spanish exports. Spain can sell more to the Community if discriminatory measures were relaxed. This applies especially to tomato preserves, citrus, olives and wine. But here the level of trade will be conditioned by highly problematical *negotiations* with the EEC.

The most striking feature about the pattern of items exported *is* the appearance of vehicle sales. Within less than five years it has become the *single most important item.*

The importance of this item plus components will increase further within the next five years as FIAT/SEAT raises capacity, and General Motors' projected *plant for a new* saloon at Saragossa comes into operation.

This greater dependence on vehicle exports in the industrial sector reflects a shift of emphasis. Textiles, traditionally so important, are playing a lesser role, unable to compete with developing country costs. The shoe industry, which accounts for just under 5 per cent of total exports and acts as a significant employer, is undergoing a serious crisis (as shown elsewhere in this survey) and is finding it increasingly hard to compete.

These two sectors in particular can retain their importance only if restructured and orientated differently—aiming *at a quality market where* the output of developing countries competes less strongly. Against this, steel and steel products, including pipes, continue to provide a solid backbone to industrial exports (about 7 per cent of the total) despite certain quota problems regarding the EEC.

Steel sales have been one of the reasons for the sustained increase in the value of Spanish exports during the past two years. This is an inevitable consequence of the manufacturers seeking to recoup low demand in the domestic market—a situation which has pushed several new sales arrangements with Eastern Europe. To a lesser extent the same could be said about cement, which accounts now for 3 per cent of total Spanish exports. However, here Spain has for some time been the world's leading cement exporter.

Robert Graham

PRINCIPAL EXPORTS (DOLLAR M.)

	1977	1978	%	% inc.
Foodstuffs	2,231	2,637	20.2	18.2
Minerals	701	761	5.8	8.5
Chemicals/Plastics	963	1,264	9.6	31.2
Textiles	571	770	5.9	34.8
Shoes/Leather	511	610	4.6	19.3
Metals/Metal Goods	1,363	2,089	15.8	51.9
Machinery	1,238	1,558	11.9	25.8
Transport Equipment	1,375	1,765	13.5	28.3
Other	1,296	1,648	12.7	27.1
Total	10,253	13,081	100.0	—

Source: Ministry of Commerce.

A Ford Fiesta production line: 60,000 Spanish-made Fiestas were sold in Spain last year and nearly 190,000 exported

Motors success story

SPAIN IS poised to become a major European automobile exporter within the next five years. New investment in the sector could rise to $2.8bn, *doubling output and nearly* tripling foreign sales, which already account for nearly 10 per cent of all exports.

However, though the motor industry will now become Spain's major industrial employer, what little that remained of Spanish control over the sector will disappear, while Spain's position as the multi-national manufacturers' favoured launching pad towards Europe will be reinforced.

Last year, the four existing car manufacturers in Spain—SEAT, Ford, Fasa-Renault, and *Citreon-Peugeot-Chrysler*— produced between them 986,116 passenger cars. Of these, 604,689 were sold at home, and a record 373,683 cars, or 37.8 per cent of total production, were exported.

This was an 18.9 per cent increase on 1977's export performance, and held the drop in output caused by a flat home market to less than a percentage point.

These are the bare facts of last year's performance. However, General Motors' decision to set up in Saragossa and Cadiz with an *outlay of $1.6bn. Fiat's* take-over of SEAT following agreement with the Spanish Administration on a $770m restructuring plan, and the strong probability that Ford will *decide to expand its plant at* Almusafes, near Valencia, with new investment worth about $450m, will change the face of the industry by 1984.

The General Motors decision to put most of its $2bn European investment into an assembly plant at Zaragoza and a components factory in Cadiz is the major novelty of the year, and a huge shot in the arm for industry as a whole.

General Motors was persuaded fundamentally by Ford's success *since 1976* and the convenience of Spain as a European base as the country nears EEC entry and its motor industry becomes gradually liberalised. In addition, General Motors calculates that Spain's *still* relatively untapped market will grow by an average 4.3 per cent a year throughout the 1980s, against 2.7 per cent annual growth in the rest of Europe.

By 1983-4, General Motors expects to be running off 270,000 units a year, over two thirds of which will be destined for foreign markets. Ford's current export orientation and the greater emphasis on foreign sales entailed in the Fiat-Seat restructuring plans means that between 50 and 60 per cent of local production will be *earmarked for exports by 1983-4.*

Leading

Ford remains the success story of the Spanish car industry, consolidating its position as the country's leading exporter last year, and even challenging SEAT as Spain's leading saloon car manufacturer.

The advent of Ford in 1976 *marked a major shift* in the habits of Spanish motor manufacturers. Until then, foreign manufacturers had set up in Spain as a means of access to an attractive market, and had given little attention to exports. But Ford was allowed to set up its ultra-modern, $650m Almusafes plant on the condition that it would sell no more than 10 per cent of the previous year's Spanish auto registrations on the domestic market.

This restriction, known as "Ford's law," is still in force. Last year, Ford exported 189,183 Fiestas on production of 257,967 units, almost entirely to EEC countries. The total value of its exports, including 94,575 engines, was Ptas 47.1bn, on a turnover of Ptas 63.7bn.

The restrictions of "Ford's law" notwithstanding, the company points out that since October 1976 it has exported nearly four times the number of cars it was obliged to under the decree authorising the Ford project in 1975. At the same time, the sum total of exports from the other manufacturers exceeded Ford's performance by only about 8,000 vehicles.

When the present legislation is liberalised, this predominance by Ford is likely to alter. If Ford goes ahead with its $450m project to double capacity at Almusafes—presently at 280,000 units—its penetration of the *domestic market will certainly* increase. As it is, the company maintains that it could have sold 14,000 more than the 66,000 Fiestas it sold locally last year, a claim backed up by the swollen waiting lists *for* this popular car.

Ford's competitors are likely, therefore, to aim at a more even balance of foreign and domestic sales. There are signs that this is already *beginning* to take place. Citroen-Peugeot-Chrysler, for example, held its portion of exports at some 26 per cent of overall production, 47,192 units worth Pta 12.4bn.

Fasa-Renault, on the *other* hand, significantly increased its exports by 14.6 per cent last year, selling 56,944 vehicles abroad worth about Pta 14.4bn. At the same time, it sold 176,314 cars in Spain, winning further ground against SEAT as the second largest supplier of the home market.

Fiat-SEAT is in all respects the odd manufacturer out. Set *up in the 1950s as the sole* "national" car producer, it was obliged to produce a comprehensive range of cars for the local market. However, when its competitors appeared in the late 1960s, and concentrated on specific ends of the market, its weaknesses were quickly exposed. With Fiat holding a 36 per cent stake, and the state holding company INI and private Spanish capital holding the rest of the equity, it gave a comfortable impression of being a Spanish firm.

However, dependent on Fiat both for technological innovation and third-country sales, it was hindered from switching its efforts towards foreign sales by Fiat itself, which left Seat competing with older models in less *attractive markets.*

Inadequate management, bad planning, and the continual shelving of a major overhaul exacerbated Seat's weakening position, while the fact that during the growing resistance to Franco of the late 1960s and early 1970s Seat plants became, and remain, bastions of a militant highly-organised labour movement rounds off a gloomy picture.

Offset

Its market share has fallen *from* over 60 per cent to 33.6 per cent, while last year, after putting its workers on short time to reduce stocks of over 65,000, production dropped 17.9 per cent to 284,480 units. Its domestic sales fell 10.4 per cent to 213,889 units, somewhat offset by a 28.6 per cent increase in exports to 87,049 vehicles, without which its losses of Pta 10.4bn would have been markedly worse.

Current losses are running at about Pta 1bn a month, with stocks still above 45,000 vehicles. The Fiat investment package envisages an injection of $770m between now and 1982, the streamlining of production to concentrate on a limited mix of new and old models, and a greater emphasis on exports, which the plan expects will rise to 120,000 units next year and 130,000 units by 1981.

A new spares factory is to be built alongside the Barcelona plant, which will be slightly expanded to boost production of the new Ritmo model to 500 *vehicles a day. The Pamplona* factory will be expanded substantially to enable it to turn out 300 Cero models a day. In all, Fiat-Seat expects to win back about 37.4 per cent of the market by 1981.

This will depend to a large extent on how far the company can check this year's losses, and whether by 1981 Seat has satisfied Fiat's conditions for taking *a stake of up to 80 per cent.*

For example, Fiat has insisted on the right to switch labour from one plant to another. And although Fiat has given guarantees that no jobs *will be lost, nobody, least of* all the unions, really believes this against, for example, General Motors' plans to produce 270,000 units with a workforce of 12,000 and Ford's record of producing nearly 260,000 units with a 10,400 workforce. Seat has a capacity for 370,000 vehicles with 32,000 workers.

Further, by 1983 when Spain is due to enter the EEC, the car industry should have a completely open market. If the government de-controls prices, the effects on Seat might be devastating. For while Seat is likely to have to raise prices to cover increased overheads, it is likely that in some cases its competitors would actually cut prices. There is little doubt therefore that Fiat-Seat's new Ritmo and Cero models will by that time have had to have made a very significant impact on the local market if the plan is to succeed.

The Ritmo came on the market amid considerable fanfare this spring, but too late to improve SEAT's first quarter domestic performance, which showed a 21 per cent drop against last year. However, this should be gauged against a general picture of stagnation, with local sales for all manufacturers down 11.8 per cent during the first quarter, only slightly *offset* by an export uptake of 2.8 per cent.

While the car industry proper has undergone rapid restructuring during the past 12 months, this is precisely what *has been lacking in the* commercial vehicle sector. Production of light commercial vehicles held up at 71,119 units last year, principally due to a 35.5 per cent increase in exports.

Heavy vehicle production slumped 16 per cent to 14,172 units, in spite of a 12 per cent increase in foreign sales to 2,661 units. The one bright spot was *Motor Iberica, the Barcelona*-based truck and tractor concern.

Motor Iberica turned in a profit of Ptas 1.26bn on a 23 per cent rise in turnover to *nearly Ptas 42bn.* Its foreign sales rose to Ptas 7.3bn, on 10,864, mostly light to medium-sized industrial vehicles, and a similar number of tractors. Motor Iberica, in which the *troubled Canadian company* Massey-Ferguson has a 36 per cent stake, has coupled an aggressive commercial policy to concentration on specific ends of the market, such as light commercial vehicles and vans, which it dominates with a share of about 40 per cent.

However, the continued revaluation of the Peseta over the past 18 months has blunted its competitive edge, and raises the question of some form of consolidation with the rest of the *industrial vehicle industry,* which is facing increasing difficulties.

Loss

Enasa, the 67 per cent INI-owned producer of medium and heavy-duty vehicles, turned in a loss of Ptas 5.6bn last year, and is now having to run down its capital in order to meet its financial needs. Although its Pegaso trucks have a firm reputation, its deficient foreign sales network and lack of back-up have lost it more than one *foreign contract, even though* it set up two vehicle plants last year in Venezuela.

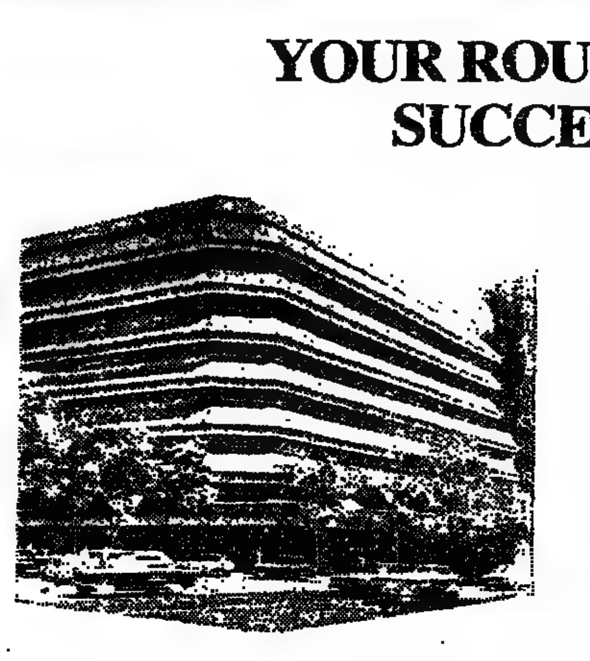
Its exports in 1978 dropped slightly to 1,639 vehicles, but its local sales plunged by nearly *30* per cent to some 14,000 vehicles. Yet while Motor Iberica could not meet its foreign orders for vans, Enasa's van production plant in Valladolid was working at an *estimated 60 per cent capacity.*

When Motor Iberica approached INI earlier this year in an attempt to persuade it to buy Massey-Ferguson's stake in the company, it was thought that this might entail a link-up with Enasa, particularly on the van production side. However, nothing has yet come of the initiative, which would have led to the creation of a genuinely Spanish commercial vehicle industry, in striking contrast to the ownership structure of the rest of the sector.

Meanwhile, the industrial vehicle industry flounders. Last year, it made a gargantuan effort, in which Motor Iberica, Mevosa (in which INI has a 25 per cent and Daimler-Benz a 43 per cent stake), and Chrysler with its heavy-duty Dodge trucks, all either doubled or tripled their foreign sales of commercial vehicles.

This year, however, the home market has dropped by about 10 per cent during the first quarter, and the strength of the peseta is such that this effort is most unlikely to be repeated.

David Gardner



EXPORT
A WAY OUT OF THE CRISIS

Exports certainly played an important part in the Spanish economy during 1978. The spectacular balance of payments reversal, when the current account showed a positive balance of 118,377 million pesetas (1,606.0 million dollars) as compared with the deficit of 2,164.4 million dollars in the previous year, was to a large extent due to exports. A few facts will serve to illustrate this. Foreign sales totalling 13,480.3 million dollars, exceeded the 1977 figures by 2,868.5 million dollars (+27.0%). However, although exports greatly contributed to balancing the current account, their contribution to the growth in total demand was just as large, and it is estimated that exports of goods must have increased by no less than 13% in real terms. In addition it should be pointed out that this noteworthy export trend presupposes a considerable market increase, as can be seen by comparison with the 5.5% growth rate in real terms achieved by exports from the OECD countries as a whole.

Nevertheless, there is no cause for triumph or rejoicing over all this. More has been exported, but largely because Spanish companies have been faced with low domestic demand (estimated to have fallen by a marginal 0.1% in real terms in 1978) at the same time as the restrictive monetary policy made it a pressing necessity to preserve liquidity. On the other hand, the trend towards lesser competitiveness of Spanish goods, explained by the higher rate of inflation, and especially, from July onwards, by the rise in the peseta, may have considerably affected the profits of companies trading abroad.

The reason, therefore, for so great an improvement in Spanish exports in 1978 is, to a large extent, the position of the domestic economy, hence the title of this article. It would not, however, be fair to attribute this tendency towards expansion in Spanish products solely to recession in the home market. In the period 1960-67 Spanish exports grew, in nominal terms, at the rate of 14%, and from 1967 to 1976, the annual aggregate growth rate was 23%. There are various factors behind this growing drive: improved productivity, improved product quality, after-sales services, financing terms, commercial networks, support for marketing policy etc., and all these ensure that Spanish products have a wider market. These services have led to considerable restructuring of the export trade, in the last two decades, and manufacturers, many of whom only have average capital, are accordingly improving their position.

Having taken this brief look at the overall exports situation for last year, we shall now go on to analyse its development in terms of products and geographical areas.

PRODUCT GROUP EXPORTS

Table 1 shows export progress per major product group. Firstly it should be noted that the figures given are from the Customs' accounts, and the necessary adjustments have not been made so that the exports can be expressed in Balance of Payments terms. Secondly, the value of goods exported are shown in pesetas. Give nthat in 1978 the peseta fell by an average of 1.6% for the year against the dollar, the growth rates expressed in pesetas are greater by this percentage than those given in dollars (as can be seen from table 2).

The net increase in Spanish exports in 1978 was basically due to expansion in industrial sales at the rate of +31.5% in pesetas. It can be seen that shipping alone shows exported values lower than those of the previous year, owing to the major world-wide crisis affecting shipping. Mineral products show a limited growth of 9.4% due to restrictive measures applied to petroleum products, resulting in a 22.3% fall in exports. On the other hand, sales of lime and cement increased markedly, in line with their behaviour in 1977.

Metal and metal products, which include a wide range of products, showed major growth, and continued to behave the same way throughout the year. This was mainly due to the iron and steel sectors having to sell their products on world markets in order to improve their difficult position.

Textile products (35.4% *and chemical and plastics products* (32.0%) also expanded considerably, the major sales being in organic chemicals (52.5%), inorganic chemicals (23.9%) and rubber, mostly in the form of tyres (12.6%), these latter figures relating to the volume exported.

The *substantial increase* of 27.6% achieved for machinery became apparent in the second half of the year. The low rate of domestic demand must have constituted a strong incentive for sales in this sector.

In respect of land transport, motor car exports were higher, and seem to lead Spanish exports as a whole. The start-up of the Ford plant contributed greatly to this, *since* a high percentage of its production is for export. Some consumer goods manufacturers, under the heading "Others" (27.3%) and footwear manufacturers (21.1%) achieved growth rates below those for exports as a whole. This can probably be attributed to increased costs *for some of these products*, to the protectionist measures imposed on certain markets, and to the fact that the manufacturers of consumer goods have encountered higher domestic demand. Finally, agricultural exports have increased by 20.6%. Some of the products sold in smaller quantities abroad are: rice, preserved fruits, vegetables, preserved vegetables and vegetable *products, and alcoholic drinks. Goods* exported in larger quantities include, in particular, vegetable oils and fresh fruit.

GEOGRAPHICAL DISTRIBUTION OF EXPORTS

The various geographical areas involved in exports can be seen in table 3. Although concentration continues to be *the distinctive* feature, a slight fall in the volume of exports has occurred in some of the main countries, i.e. the United States and Latin America, in favour of the Near East and other countries.

The EEC continues to provide by far the largest market, and absorbs almost half (46.3%) of Spain's total exports. Compared with the previous year, there was an increase in peseta terms of 29.2%, which is similar to the figure for total exports. There has been a significant growth rate in exports to specific countries, from 46.8% for Eire (starting from fairly low figures) to a modest *6.5% in Holland. In France, which is the main EEC client for* Spanish goods, exports showed a year-to-year increase of 34.5%. This rate is mainly due to four sectors, which account for 52.9% of total exports to France, i.e. motor cars, edible fruits, iron and steel castings, and boilers and mechanical equipment. In general terms, the high sales figures of Spanish goods to the Common Market countries can be explained by the growth in their economies (+3.7% of the PIB real growth rate figures) and especially by the necessity for the industrial sectors to sell their goods abroad. The exchange rate of the peseta in terms of competitiveness may have promoted sales in the first half of the year (in the first six months exports to the EEC showed a 42.0% growth rate) but as the peseta rose against the Common Market currencies, the export sectors found that their products were becoming less and less competitive, and/or their profit margins were decreasing. Incidentally, it should be pointed out that sales *were best in industrial products, whilst agricultural sales were not to make* much progress in terms of volume.

In the remaining European countries, most noteworthy are the great increases in sales to Switzerland (49.7%) and to various Socialist countries: the USSR (42.0%), Romania (48.9%) and Yugoslavia (42.9%). Nevertheless, as can be seen from table 3, the figures for sales to the Socialist countries indicated continue to be very low, and represent a mere 2.0% of the total.

21.1% of Spanish exports are to the American continent, especially to the United States, which absorbs 9.3% of total sales. In dollars, sales to the United States increased by 18.8% compared with 1977. This increase, although it is the largest in percentage terms since 1973, was less than for Spanish exports as a whole (27.6% in dollars). This is then the seventh consecutive year in which the percentage of Spanish exports to this market has been reduced. It should, however, be pointed out that the increase achieved in Spanish exports does slightly exceed the growth rate of total exports to the American market (17.4%). In product terms, the greatest *increases were in iron and steel products, machinery, vegetable products*, and alcoholic drinks, whilst mineral fuel exports dropped substantially. Footwear, which continues to be the leading export by quantity, represents 23.7% of total exports to this market.

Considerable increases have also been achieved in Latin America, except for Cuba (−33.8%) and Brazil (−1.0%), the main clients being Mexico (65.6%) and Venezuela (43.5%).

The Near East countries continue gradually to increase their importance as a market for Spanish goods, as a result of the substantial growth in exports, i.e. 36.3%. Nevertheless, this increase relates to very low export figures. The largest increases in sales have been in those to Iran (140.1%), Saudi Arabia (83.9%) and to a lesser extent Iraq (39.9%).

Exports to other countries have been particularly large, especially those to Japan, owing to the recovery in fish sales, which dropped in 1977, to the considerable progress in export figures for confectionery, sales of which are 46 times greater than in 1976, and finally to increases in sales of chemical and plastics products.

1979: EXPORTING BECOMES INCREASINGLY MORE DIFFICULT

As already indicated at the beginning of this article, the good export figures achieved in 1978 are no cause for optimism. It will be difficult for the current year trends to follow the dominant trends of 1978, particularly because Spanish goods are much less competitive owing to the high rate of inflation and continual revaluation of the peseta. In this respect, export figures for March and April are indicative of a certain drop in export figures.

The fact that the revaluation of the peseta, as a result of the dramatic improvement in the balance of payments and the weakness of the dollar, means that the export rate will be considerably slowed down, calls for comment on the exchange rate of the peseta. The necessity of reducing the successive injections of funds from the increases in foreign currency reserves, has been the theoretical support put forward to promote revaluation of the peseta. Without denying that the exchange rate must reflect the interplay of market forces, it should not be forgotten that this adversely affects exports, which are the most elastic variable of total demand. In this sense, the economic measures recently adopted by the Spanish government are intended to replace sources of foreign finance, which cause the peseta to rise, by higher growth in domestic credit. However, the continued *existence of a current account surplus* will force the rate of exchange upwards, with the resultant adverse effect on foreign trade.

Improvement in the growth of the Spanish economy and in the exchange rate conditions seem to be the two factors to be taken into account when forecasts are made regarding the trend of Spanish exports in future months. Finally, the deterioration, as compared with the initial forecasts for economic growth in the OECD countries, which have been severely affected by the new energy crisis, constitutes another factor which may make it difficult to sell Spanish products on the world market. Despite such discouragement, the fact that a large majority of Spanish companies have decided to be exporters, and the degree of popularity of Spanish goods, enable the very probable hypothesis to be advanced that the export rate will continue at its current high levels.

TABLE No. 1 — FOREIGN TRADE IN 1978
EXPORTS
(Millions of pesetas)

	1977	1978	% variation 1978/77
1. Agricultural and food products	168,207	202,910	20.6
2. Mineral products	53,879	58,405	9.4
3. Chemical and plastics products	73,186	96,635	32.0
4. Textile products	43,142	58,808	35.4
5. Footwear etc.	38,608	46,769	21.1
6. Metals and metal products	102,945	158,318	53.8
7. Machinery	93,240	118,974	27.6
a) Mechanical (c.84)	67,231	86,958	29.3
b) Electrical (c.85)	26,009	32,021	23.1
8. Transport equipment	103,715	135,159	30.3
(a Land (c.87)	74,387	104,236	40.1
b) Sea (c.89)	24,559	22,488	−8.4
9. Others	98,495	125,405	27.3
10. TOTAL	775,217	1,001,383	29.2
11. =10−1	607,010	798,473	31.5
12. =11−(2+8)	449,916	604,909	34.4

Source: Customs Headquarters

TABLE No. 2 — FOREIGN TRADE IN 1978
EXPORTS
(Millions of dollars)

	1977	1978	% variation 1978/77
1. Agricultural and food products	2,231.8	2,637.8	18.2
2. Mineral products	701.6	761.1	8.5
3. Chemical and plastics products	963.7	1,264.7	31.2
4. Textile products	571.3	770.1	34.8
5. Footwear etc.	511.6	610.6	19.3
6. Metals and metal products	1,362.1	2,069.1	51.9
7. Machinery	1,238.6	1,558.6	25.8
a) Mechanical (c.84)	891.8	1,139.9	27.8
b) Electrical (c.85)	346.6	418.7	20.8
8. Transport equipment	1,375.9	1,765.5	25.3
a) Land (c.87)	981.5	1,362.3	38.4
b) Sea (c.89)	327.9	292.7	−10.7
9. Others	1,276.4	1,648.0	27.1
10. TOTAL	10,253.1	13,081.8	27.6
11. =10−1	8,021.8	10,444.0	30.2
12. =11−(2+8)	5,948.5	7,918.1	33.2

Source: Customs Headquarters

TABLE No.3 — GEOGRAPHICAL DISTRIBUTION OF FOREIGN TRADE IN 1978
EXPORTS

	1977 Pesetas (millions)	1977 % of total exports	1978 Pesetas (millions)	1978 % of total exports	Export variation 78/77 %
EUROPE					
Germany (F.R.)	82,015		106,721		30.1
France	123,640		166,360		34.5
Italy	39,368		49,846		26.6
The Netherlands	34,616		36,858		6.5
Belgium/Luxembourg	22,356		28,479		27.4
United Kingdom	49,037		64,571		31.7
Denmark	5,624		7,710		37.1
Eire	2,095		3,076		46.8
TOTAL EEC	358,752	46.3	463,621	46.3	29.2
Norway	4,202		4,698		11.8
Switzerland	11,915		17,840		49.7
Sweden	8,301		11,493		38.4
Portugal	17,748		20,370		14.8
TOTAL	42,166	5.4	54,410	5.4	29.0
USSR	7,691		10,919		42.0
Poland	5,889		6,118		3.9
Romania	2,133		3,176		48.9
Yugoslavia	1,693		2,419		42.9
TOTAL	17,406	2.2	22,633	2.9	30.0
Other European countries	33,884	4.4	39,095	3.9	15.4
TOTAL EUROPE	452,208	58.3	579,758	57.9	28.2
NORTH AMERICA					
United States	76,092	9.8	92,744	9.3	21.9
Canada	7,741		8,813		13.8
TOTAL NORTH AMERICA	83,833	10.8	101,557	10.1	21.1
LATIN AMERICA					
Argentina	9,757		12,684		30.0
Brazil	8,455		8,367		−1.0
Colombia	4,080		6,878		68.6
Cuba	11,558		7,654		−33.8
Mexico	5,146		8,521		65.6
Venezuela	18,189		26,097		43.5
TOTAL	57,185	7.4	70,201	7.0	22.8
Other American countries	22,052	2.8	25,750	2.6	16.8
TOTAL AMERICA	163,070	21.0	197,508	19.7	21.1
NEAR EAST					
Saudi Arabia	8,288		15,244		83.9
Iraq	2,936		4,107		39.9
Iran	8,272		19,858		140.1
Libya	12,159		9,603		−21.0
Kuwait	4,185		5,360		28.1
Algeria	21,692		25,418		17.2
TOTAL	57,531	7.4	79,590	7.9	38.3
OTHER COUNTRIES					
Japan	8,935		15,780		76.6
Australia	3,509		3,968		13.1
Nigeria	9,847		13,516		37.3
Morocco	24,182		27,607		14.2
Egypt	4,420		6,447		45.9
South Africa	2,792		4,180		49.9
TOTAL	53,685	6.9	71,504	7.1	33.2
Rest of the world	48,656	6.3	73,023	7.3	50.1
TOTAL	775,150	100.0	1,001,383	100.0	29.2

Source: Customs Headquarters

Small men add up to big force

ANYONE looking at the type of companies involved in the export sector is immediately struck by two things. First, there are thousands of small exporters whose individual sales often amount to tiny sums but when put together are in total substantial. Second, there are a few very large companies, usually foreign-owned or controlled, which completely dominate the scene.

So the export achievements of these large companies are easy to identify while the results of the small companies tend to be hidden. Yet one explanation for the continued growth of Spanish exports is that it is precisely these small, often unknown, companies which provide an essential part of export dynamism.

At present five companies are responsible for exporting 10 per cent of Spain's total exports—while the first 20 companies account for just over 20 per cent. No other major industrial country in Europe has quite the same preponderance.

This highlights in turn what Spain lacks: well-established medium-sized companies. This top-heaviness can be seen in the annual export sales of the leading 25 companies. All these have sales abroad of over \$44m, yet between the last company in this grouping, the olive oil concern, Industria y Abastecimientos Aceites, and the lead-company, Ford Espanola, there is a huge gap.

Ford Espanola has foreign sales of \$520m, while Industria's exports were just under \$45m. Indeed, only nine companies in 1978 had exports worth more than \$100m.

This situation is essentially a reflection of the limited export consciousness that existed among Spanish companies until recently. In the industrial field most plant was conceived primarily to satisfy domestic demand and only small surplus capacity set aside for export.

As shown throughout this survey, the recession of the past three years has cut back domestic demand, created substantial surplus capacity and forced managements to look abroad to sustain production lines and cash flows.

This said, there have been traditional sectors in which companies have relied on foreign sales for between 15 and 30 per cent of turnover, sometimes more. These sectors are cement, books, shoes, steel, and textiles. The most modern of these sectors is cement and it is significant that a group of cement interests formed Hispacement, devoted solely to export. Last year, Hispacement had sales of almost \$185m, the country's fifth biggest exporter.

Evident

In the top 25 companies there are two cement concerns. Also evident in the top 25 are five steel groups — Ensidesa, Aristrain, Altos Hornos de Vizcaya (AHV), Olarra and Altos Hornos del Mediterraneo. Together, they have sales equal to almost 5 per cent of the country's total exports.

Ensidesa, the largest, exports 32 per cent of production, Olarra as much as 78 per cent. AHV on the other hand concentrates on the domestic market and only 12 per cent is exported.

In sectors such as shoes, books, textiles and foodstuffs/drinks, which have a strong export orientation, it is rare to find individual companies with large export sales. There is only one large textile company that squeezes into the top 25—Textiles y Confecciones Europeas which has sales of \$50m.

The greatest proliferation probably is to be found in the foodstuffs sector where there remains an amazing absence of concentration. The largest single group of companies here is that concerned with the marketing of olive and vegetable oils where seven groups between them have combined exports worth just over \$200m.

Interestingly, this substantial export performance reflects in part the olive oil surplus in Spain and the restrictive government price policy on domestic sales. Companies operating in these "traditional" sectors have, as a general rule, predominantly—if not exclusively—Spanish capital and management control. The picture is radically different in companies that are involved in higher technology or newer industries.

The automotive industry is a striking example here. Of the top 25 companies, seven are vehicle manufacturers and another, Michelin, is directly concerned with the industry through tyre manufacture. Moreover, of these seven companies only one, the industrial vehicle manufacturer, Enasa, consists of wholly Spanish capital. The rest are either all under complete foreign management control—or in the case of SEAT, moving under complete foreign management control.

The sole exception is Motor Iberica, in which Massey Ferguson has a 36 per cent stake, though how much longer it can remain "Spanish" is open to question—the same applies to Enasa which is experiencing serious financial losses and cannot survive in its present form.

In contrast, Ford, the leading exporter, is an example of a multi-national choosing Spain as a launching pad for international operations. As it stands, four out of the top 10 exporters in Spain are car producers — Ford, Renault, SEAT and Citroen (Michelin is also in the top 10).

The other leading companies are to be found exporting chemicals, minerals or what could be broadly termed electronics. As there is generally a foreign technology element, foreign capital also has either a significant or controlling stake.

This is the case with IBM and Standard's Spanish subsidiaries, concerned respectively with computers and telephone equipment. The same could be said about Casa, the main aeronautical concern in which there are four minority foreign shareholders (the largest being Northrop with 20 per cent).

There appears to be no general rule in the market export orientation of the major companies—or the smaller ones for that matter, too. The motor companies are geared primarily to satisfying the European market, yet where possible sales have been made also to Latin America and the Middle East. Some sales are conditioned by multi-national philosophies so that for instance all Chrysler sales go through Chrysler France.

In some cases it is a question of switching to meet demand. Hispacement last year saw its Mediterranean sales drop but U.S. and Middle Eastern sales rise. Overall, however, sales are directed to Europe and more particularly the European Community. For instance, the chemicals group, Union Explosivos Rio Tinto, sells about 58 per cent of its exports in Europe.

In the future it is likely that the multi-nationals will turn more to Spain, both as a means of penetrating the local market and as an operations base—to serve Europe yet also looking towards Africa, the Middle East and Latin America. Standard has already begun to adopt this philosophy.

Buyers

With 26 per cent of turnover taken up by exports, its biggest buyers are in Algeria, Kuwait, Nigeria and South Africa. Michelin also is understood to be using Spain more as an export-orientated base.

Looking further ahead, this clearly is the intention of General Motors in announcing its plans to invest \$1.6bn in a new Spanish plant. All this suggests that the major investments promoting exports are likely to come from outside.

Inside it is significant that the state holding company, INI, has a stake in no fewer than seven of the leading 25 exporters, all of which are currently running at a loss. Indeed, it is worth pointing out that the mere fact that companies are exporting more should not be equated with profitability.

R.G.

Steel fights for life

BETWEEN 1974 and 1978 Spain's annual domestic consumption of steel fell from a peak of 11.8m tonnes per year to 8.5m tonnes. This decline, which has been particularly marked during the past two years, has been due largely to the tight money policies adopted by the Government. Yet the drop in domestic consumption has been the main stimulus behind Spanish steel exports which traditionally accounted for only a small fraction of total production.

Between 1974 and 1978 Spanish steel exports experienced a remarkable growth, from 800,000 tonnes per year to 4.1m tonnes with the most marked expansion occurring last year. Ensidesa, the largest integrated steel company in Spain, which is controlled by the State holding INI, increased its exports in 1978 from 988,669 to 1.4m tonnes, an increase of 41.6 per cent.

Two factors in particular have been behind the Spanish steel sector's good export performance: devaluation of the peseta in July 1977 and the sheer aggressiveness of Spanish exporters, who have managed to maintain their products at highly competitive prices.

During an unusually difficult trading period internationally, Spanish steel exporters have demonstrated a noticeable lack of restraint, taken advantage of their exclusion from the EEC, and joined willingly with the more adventurous Continental producers in a cut-throat spiral of price reductions.

Pattern

However, the pattern of Spanish steel exports has begun to change over the past year. Not only has the peseta been recovering its former value against the dollar, but also Spain's main export markets, the EEC and the U.S., have tightened up on quotas and anti-dumping, measures which ultimately had a negative effect on Spain's export potential.

The value of the peseta is reflected in the Spanish steel sector since it bears on a large proportion of imported raw materials and the export of finished products. UNISID, in a recent study paper, claims that the beneficial effects of the July 1977 devaluation of the peseta had been all but absorbed by December 1977. During 1978 a combination of the appreciation of the peseta and the general trend in international prices has led to a net loss for Spanish steel's export sector of Pta 5.1bn.

Moreover, because the peseta has continued to appreciate and international prices are weak this figure is expected to double by the end of 1979.

In line with the Davignon scheme for the European steel industry, EEC countries have, since the beginning of 1978, imposed a system of quotas on Spanish steel imports, to protect their own industries and restrain production at a time of economic recession. Spain in 1978 had its annual quota fixed at 900,000 tonnes. In March of this year, after months of negotiation, this figure was revised and fixed at 800,000 tonnes.

Criticised

In general terms the revised quota falls below Spain's export potential and as such has been severely criticised by the majority of Spanish steel producers. In 1976, for example, before the Davignon plan came into existence and a time when Spanish industry was only just beginning to respond to domestic and international pressures, Spanish steel exports to the Community stood at 931,000 tonnes. This represented 38.1 per cent of total exports in the sector.

It was a figure that would have increased in the following two years had restrictions on trade not been introduced. But it is the details of the EEC agreement that have provoked the most controversy.

The March agreement differs from its predecessor in that it does not include in the fixed quota Spanish products which are exported to the EEC countries semi-finished, to be reprocessed and subsequently re-imported into Spain. Last year 150,000 tonnes of these products were exported to the EEC, and the forecast figure for this year is 300,000 tonnes.

For the EEC this is a major compromise and one designed to give the crippled Spanish steel industry a chance of survival at a time when Spain's EEC membership negotiations are already at an advanced stage.

Yet as far as Spanish steel makers are concerned this "concession" is counterbalanced by the restriction on exports to the EEC through third countries. Although exact figures are impossible to obtain it seems clear that in 1978, a number of Spanish exporters managed to get around the EEC quota system by selling to non-Community countries on the understanding that the goods finally would find their way into the Community.

Yet although the new agreement stipulates that these exports should now be included in the fixed quota, it would seem that the initial reaction of the steel producers is slightly exaggerated. Privately, officials in the sector admit that the kind of control theoretically referred to by the agreement will be very difficult to impose.

It seems likely then that, as happened last year, Spain will in the course of 1979 export to the EEC an amount that could be well above the fixed quota. In 1978 official exports (i.e. not including exports to the Community via third countries) were put at 923,000 tonnes, above the 900,000 tonnes quota fixed for the year.

Guess

Significantly, Spanish steel exports to non-Community European countries more than tripled last year to 478,000 tonnes. What percentage of this figure is represented by products which entered the EEC

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Shoe industry lacks guiding strategy

A RATHER unusual sit-in took place in Madrid at the end of last month when employers representing some 2,300 shoe companies got together in a five-star hotel in a bid to pressure the Government into swift action to alleviate the industry's growing problems. The background to what the shoe employers insisted was an "assembly" rather than a "sit-in" was grim enough. In the town of Elche in Alicante six companies had closed down in the preceding ten days alone and several more were threatening to put up the shutters. This news came as something of a surprise to most people, after an unrelieved boom in shoe exports during the past five years.

Shoe exports represent something under 5 per cent of all Spanish sales abroad and have more than doubled in volume and tripled in value during the past ten years. Last year Spain exported 82.9m pairs of shoes, a 1.6 per cent slip in volume on 1977, but they brought in Pta 46.3bn, a 21.4 per cent gain in value.

The Spanish shoe sector grew up as a cottage industry under the impetus of post-Civil War autarchy. It only switched its attention to exports once the domestic market showed signs of saturation and foreign sales became synonymous with survival. Low labour costs and commercial aggression have been the keys to the industry's success up to now. The share of exports in the sector's turnover shot up from 26 per cent in 1968 to nearly 50 per cent last year.

It remains fractured into nearly 2,500 companies, employing over 70,000 people, and located almost entirely in the three provinces of the Valencia region (Castellon, Valencia and Alicante) and the Balearic Islands, especially Majorca and Minorca. There are 45 companies with exports over Pta 200m and nine that top the Pta 400m mark—although paradoxically three of the four biggest exporters are located in Pamplona, Labacete and Saragossa.

Viable

It is not, however, the structure of the industry, with only 9 per cent of companies employing more than 50 workers, that is at the root of current problems. Nearly all employers stress that the small is frequently the most viable unit, and point to the experience of Segarra in Castellon, which with its 3,000-plus employees led the industry until 1976, when it seriously over-extended itself and was taken-over by the State.

One of the industry's most strident demands, repeated by employers last month, is for the setting up of a free port at Alicante for hide imports. But most of the problem is not at this end, where tariffs on hide imports seldom exceed 2 per cent. The problem is that the cost of imported hides has risen brutally. Measuring the first quarter of 1979 against last year, the cost of importing untreated hides has risen 57.8 per cent, semi-treated hides 39.8 per cent and tanned hides no less than 88.7 per cent.

But the appreciation of the peseta is the problem which most concerns shoe exporters. They believe that this alone has increased the cost of a pair of Spanish shoes abroad by around 30 per cent and are calling for an urgent Government credit of Pta 30bn to offset this.

In the U.S. the cost of a pair of Spanish shoes has risen by 36-40 per cent. On the one hand the peseta has appreciated faster than the dollar, and secondly, since the beginning of the year, the U.S. has added a 2 per cent duty charge on shoes from Spain. This looked as though it would be considerably higher late last year, and may increase in the future, underlining Spain's vulnerability through over-concentration on the U.S. market.

Last year the U.S. took 49.4 per cent of Spanish shoe exports, against 53.4 per cent in 1976 and 54.5 per cent in 1975. Figures for the first quarter of this year, however, show sales in the U.S. at around a third of all shoe exports, with no compensation elsewhere. Last year 37.7 per cent of exports went to EEC countries. But Spain's main clients there, France and West Germany, which last year took 22.2 per cent of all exports, have both bought significantly less. Customs figures show that shoe exports for the first quarter this year are down 11 per cent on the corresponding quarter last year, and 15 per cent for the whole of 1978.

Delay

In addition the sector has serious subsidiary problems which are only likely to increase. For example, shoe exporters receive a 12 per cent tax deduction according to the volume exported. Since Spain operates a 35 per cent tariff against foreign shoe imports, the two measures combined are likely to lead to an extension of restrictions within the framework of GATT. Yet by the end of last year the Government owed the shoe industry over Pta 1bn in tax relief and the consistent delay in delivering these funds often halves the real value and puts additional strain on the cash-flow position of the weaker companies that have grown up inside this structure.

But beyond existing problems, what the industry needs is a coherent medium to long-term strategy. There is little disagreement that the future lies in a major switch to quality shoes. Developing countries like Brazil and South Korea are making increasing inroads into Spain's traditional markets now that the advantage of low labour costs in Spain has vanished.

By conservative estimates, however, technology in the sector is around 25 years behind that of Italy, which would be Spain's main competitor. The investment required to close this gap is of the order of Pta 10-12bn over the next decade, an unattainable target without major Government backing.

Backing would also be needed in research and the promotion of Spanish shoes abroad. The industry has several mutually antagonistic employers and commercial associations, and this has not improved overseas promotion. In short, the shoe industry is at a crossroads, with very little time to decide which direction to take.

David Gardner

Steel

CONTINUED FROM PREVIOUS PAGE

through the back door is not known, though most officials hazard a guess that the amount was considerable.

However, 1978 did demonstrate the effectiveness of the EEC when it came to anti-dumping control. Spain's steel officials received a sharp jolt when, last February, Belgian steel manufacturers triggered a formal investigation by the European Commission into complaints that Spanish steel had been dumped on EEC markets.

As a result, the Commission introduced a precautionary punishment. Sales to the Community of certain types of Spanish steel beams were subjected to a special anti-dumping levy amounting to the difference between the Spanish prices and the EEC base prices. Spain supplies more than half of all imports into the Nine of "U" beams, "I" beams and "H" beams.

Complaints

The levy was suspended under the terms of the March agreement but it served as a warning that stricter measures would be introduced in the future if there were any further complaints. The difficulties which Spanish steelmakers have faced during the past year with the EEC have been mirrored in Spain's trade relations with the U.S., the single biggest customer for Spanish steel. The anti-dumping measures of the EEC were preceded by those of the U.S. towards the end of 1977. Similarly, the U.S. in June of this year decided on an extension of import quotas.

These restrictions forced exporters to look for new outlets. This diversification has been further stimulated by the crisis in Iran. This country has been a traditional consumer of Spanish steel products: in 1978 it accounted for 11.8 per cent of total Spanish exports. This figure in the first quarter of this year has been reduced to zero.

Spanish steel manufacturers are turning towards Africa, Latin America, the Fast East and Comecon. The changing pattern is reflected in customs figures for Spanish steel exports during the first quarter of 1979. Where the EEC and the U.S. imported 38.3 per cent and 11.4 per cent respectively of total Spanish steel exports in 1977, these figures have now dropped to 23.7 per cent and 8 per cent.

However, diversification has not brought about that increase in exports which the Spanish steel industry so desperately needs. Provisional figures for the first four months of 1979 show that total steel exports have declined by 10.6 per cent compared to the corresponding period last year.

Jimmy Burns

Growth of capital goods loses edge

THE GROWTH of Spanish capital goods exports in 1978 has stood out in relief against a gloomy picture of falling production, slackening demand, and virtually stagnant investment, three aspects of a deep recession which, according to Sercobe, the association of capital goods *manufacturers, has brought the* sector to the "gravest crisis in its history."

Figures for last year show that while production fell in value by 5.5 per cent to Pta 492bn, and domestic consumption by 2.2 per cent to Pta 561bn, exports increased in value by 18.5 per cent to Pta 190.5bn. In the period *1974-78 capital goods exports* have increased by 61 per cent. This has occurred while production has dropped by 34 per cent and consumption has fallen 15 per cent. Exports last year covered 38.7 per cent of total *production* compared with only 14 per cent in 1970. Capital goods in 1978 accounted for 19 per cent of total Spanish ex*ports and 22.8 per cent* of industrial products.

Yet these statistics tell only half the story. The increase of 18.5 per cent in capital goods exports was lower than the 29 per cent increase in Spain's total exports last year, and compares with increases in the sector's exports in 1976 and 1977 of 34.3 per cent and 30.8 per cent respectively. With this slower rate in exports the "*bright spot*" *appears to have* begun to dim at the edges.

In addition to an unfavourable trend in international prices, a number of internal factors have been adversely affecting the competitiveness of Spain's capital goods exports. The gradual appreciation of the peseta throughout 1978 has eroded the advantages reaped *initially by the sector following* the devaluation of the peseta *in July 1977.* The sector has, however, been traditionally *more affected* by inflation than by any temporary readjustment in the exchange rate because of the time lags in production. Spain's inflation rate last year ended at 17 per cent, an improvement on 1977 but still double the OECD average. The present Government's apparent *losing* battle against price increases does not augur well for the future.

Nor has the sector's export drive been *helped* by the increasing pressure of industrial overheads, namely wages, and an unstable period of industrial relations. Spain's capital goods industry has a number of its more important companies in the *politically* volatile Basque country.

Despite all this, however, the capital goods industry has managed to maintain more or less constant trading with its traditional partners and has succeeded in penetrating new markets. The EEC continues to be the major outlet for Spanish capital goods, account*ing for* 40.5 per cent of total exports in the sector. It is a measure of the sheer aggressiveness of some Spanish capital goods exporters that, during a particularly difficult trading period, exports to the Community in 1978 increased by 14.6 per cent to Pts. 77.2bn.

Machines

Within the EEC, France was *the main recipient of Spanish* capital goods and accounted for *nearly half of the Community's* total with Pta 30.2bn. West Germany was the second major trader with Pta 16.7bn, while Britain for the first time overtook Italy in third place with Pta 11.2bn. As in previous years the major capital goods export to the EEC was mechanical machines.

The sector's second largest trading *block,* Latin America, absorbed Pta 33.3bn, an increase *of 13 per cent on 1977.* Within the block, while Venezuela continued as the main trade partner absorbing Pta 8bn of capital goods last year, a number of countries have cut back on their orders. The value of capital goods exports to Cuba, for example, declined by over 50 per cent in 1978 to Pta 3.2bn.

The sector's relative success in penetrating new markets was demonstrated last year by a 38 per cent increase to Pta 26.4bn in the value of exports *to Arab states.* Trade within this block has been particularly buoyant with Morocco (Pta 5.48bn) and Algeria (Pta 5.14bn). Last year also saw a bigger slice of the African markets, an increase of 46 per cent to Pta 7.2bn, with Nigeria and South Africa *as the main trade* partners.

Looking ahead, it would appear that there is still room for *expansion,* particularly in areas like the Gulf states and Saudi Arabia which have a huge capacity for the absorption of capital goods. Spain's trade with these areas has not been as active as it could be.

Nevertheless Sercobe's latest report is pessimistic about future trade prospects. Accepting that negative internal factors and the trend of international prices are unlikely to change, *at least in the short* term, the association predicts *that* the *sector's* export performance will continue to slow down throughout this year.

Sercobe's view is that exports will only be boosted if the Government introduces a package of incentives, including a further devaluation of the peseta and more favourable credit terms for export orientated companies.

The emphasis, however, is increasingly shifting away from exports and towards the domestic market. In order of priorities Government - *sponsored* export back-up facilities are now *generally* looked upon as less important than the putting on stream of a number of industrial projects which have been *temporarily frozen* by the Government because of the recession. These include the building of three nuclear plants as part of Spain's national energy plan. According to Sercobe 86 per cent of the capital goods which would eventually be incorporated in the project *are covered by the order books* of the domestic industry.

Stimulus

Other investment plans which have been earmarked by the association as a potential stimulus for the crisis-torn sector include expansion programmes by Spain's national railways (RENFE) and *state-owned* telephone company (Telefonica).

Pressure for action on the domestic front has increased as a result of the growing burden of imported capital goods on the sector's balance of trade: last year imports were valued at Pta 260.4bn and accounted for 53 per cent of total production.

Although there is a strong case to be made *for a policy* of import substitution, the solution is arguably *a dangerous one.* The stimulation of industrial self-sufficiency at the expense of exports was the main thrust of Spanish economic development in the 1950s and 1960s. But the Spanish economy has now entered an altogether more complex and delicate phase.

The take off of major industrial projects such as the nuclear plan will almost certainly mean the increased pres*ence in Spain of foreign capital* and foreign technology, both of which are already much in evidence in the capital goods industry. It would, however, run the risk of crushing those medium and small sized capital goods companies whose dedication to medium technology has been one of the main stimulants of the sector's export performance *during* the past three years.

Jimmy Burns

Momentum continues for cement sales

IN THE past 10 years Spain has moved from being a net importer of cement to becoming the *world's largest exporter.* Last year the country exported 9.85m *tonnes, or 30.9 per cent of* a record production of 31.87m tonnes. This brought in Pta 23.2bn, a rise of 49.5 per cent on the previous year.

The industry in the past five years has been a continuing success story. From 1.81m tonnes in 1974, equal to 7.6 per cent of production, the industry's exports have risen strongly through 4.87m tonnes (18.6 per cent) in 1976, 7.92m tonnes *(26.7 per cent) in 1977 up* to last year's performance. The *momentum shows no signs of* slackening.

To prove it, cement is one of the few industries attracting private domestic investment—a feature of the sector is the very thin presence of foreign capital. Hornos Iberica, for example, is building a new factory near Almeria for an *estimated* Pta 8bn, nearly the equivalent *of total investment* in the sector as recently as 1977.

Rapid

The industry first established a significant presence under the aegis of the development plans and rapid industrialisation that *took place in Spain during* the 1960s and early 1970s. By 1965 domestic consumption had risen to nearly 10m tonnes, but just over a quarter of this was imported.

It was at this point that major *investment in local* resources was carried out, and cement imports were halved in each of the two succeeding years. By the end of the decade consumption had risen to 16.6m tonnes —over 500 kilos per inhabitant or *two and a half times* consumption in 1960—and imports of both cement and clinker had been reduced to 300,874 tonnes while the tentative foundations for foreign sales were laid with 146,585 tonnes exported.

At the beginning of this decade Spain was still importing significant quantities from the traditional cement exporters *such as France and Britain—as* well as, paradoxically, countries like Algeria which now rank among Spain's most important customers.

Internal demand continued unabated until 1974, peaking at consumption equal to 632 kilos per inhabitant to be set against an OECD average of 547 kilos per inhabitant. Fortunately, in retrospect, attention was focused on both the quality of *local cement and the technology* involved in its production. When internal demand fell in the wake of the 1973-74 recession the main complementary measure needed for the industry to switch to an export orientation was to equip Spain's ports adequately.

In this respect Spain is extremely fortunate in that *most* of its *major* cement factories are concentrated on or near the *coast. In the north* factories in the Basque country and Asturias (and increasingly in Galicia and Santander) on Spain's *northern* Atlantic seaboard are well placed to supply central and northern Europe, the *U.S. and the* eastern republics of Latin America, still a *relatively untapped* market.

North - eastern Catalonia accounts for nearly two thirds of the value of Spanish cement exports, with access to the Mediterranean and southern Europe. *The* port of Barcelona also has facilities for easy and *rapid loading* in large quantities. The Valencian region on the south east coast is Spain's second cement - producing region, with a command of the southern Mediterranean and North Africa. However, cement *from all regions, especially* central Spain, is diverted to Spain's southern Atlantic ports —above which the country's fifth major cement-producing region is located—for export to North and West Africa.

This spread is reflected in the industry's markets, though *out of its top ten clients,* eight are in the Middle East, North *Africa or West Africa.*

Saudi Arabia is by a long way *the main international customer,* taking approximately 28 per cent or 2.7m tonnes last year. This trade started from scratch in 1976, following King Juan Carlos' visit to the Kingdom. Other key clients which have appeared only in the last three to four years are Nigeria, second in the ranking with 1.25m tonnes last year; Vene*zuela, the fourth most* important customer accounting for 816,342 tonnes in 1978; and Iran, with which the industry had *managed* to build from scratch to 777,924 tonnes in the past three years.

However, cement exporters have taken equally large temporary market losses in their stride—for example in the case of *Algeria,* Spain's sixth most important client, which *reduced* its *Spanish* cement imports from 1.2m tonnes to 584,826 between 1977 and 1978.

Ambitions

This is likely to change, however, in view of an ambitious public housing programme announced recently by the Algerians, and improved *bilateral relations following* Prime Minister Adolfo Suarez's visit to Algiers in May. Other significant importers of Spanish cement include Morocco (third with 886,234 tonnes in 1978); Kuwait, seventh with 411,661 tonnes; and as an increasingly significant client the U.S. *eighth with 364,284 tonnes*—though a substantial part of this went to Puerto Rico.

Apart from the natural advantages already mentioned, the industry's export performance has depended to a large *extent on its rational* commercial structure and its ability to follow up tonnage with technology.

Hispacement, for example, provides a commercial umbrella for 17 cement producers and last year accounted for 57.8 per cent of Spanish *and 27 per cent of European* cement exports (Pta 14.7bn). Paradoxically, Hispacement grew out of the need of several Catalan cement producers/suppliers to guarantee imports. But with the change of emphasis to exports, the record of this centralised commercial body speaks for itself. From 6.7 per cent of the export market in *1974, Hispacement,* which includes the single largest producer and *exporter,* Asland, acquired nearly 60 per cent of the market in two years flat.

Initiative

The initiative caught on and Basque producers set up a similar umbrella—Exponor—in 1975 to group their three main companies. More recently *Madrid* cement producers have taken the same road, setting up the *Co-ordinadora de Exportadores de la Zona Centro,* although its impact *has so far* been minimal.

The most recent forms of technological follow-up show considerable agility. In the case of Hispacement, for example, the group as a whole *is involved* in constructing a silo complex and port installations in Lagos, Nigeria, with a capacity of 1m tonnes annually. The advantages here are common to all the exporters in the group. But Cementos Alba for example, as an individual producer within the group, has *just concluded* a $21m deal to set up a joint production enterprise in Mexico.

At its present pace, and because of the heavy cost of transport, Spain has little to fear from other major cement exporters such as Japan. Well situated within a wide area where cement *consumption* has remained high in spite of regional fluctuations, it can afford to interchange its markets according to demand.

D.G.

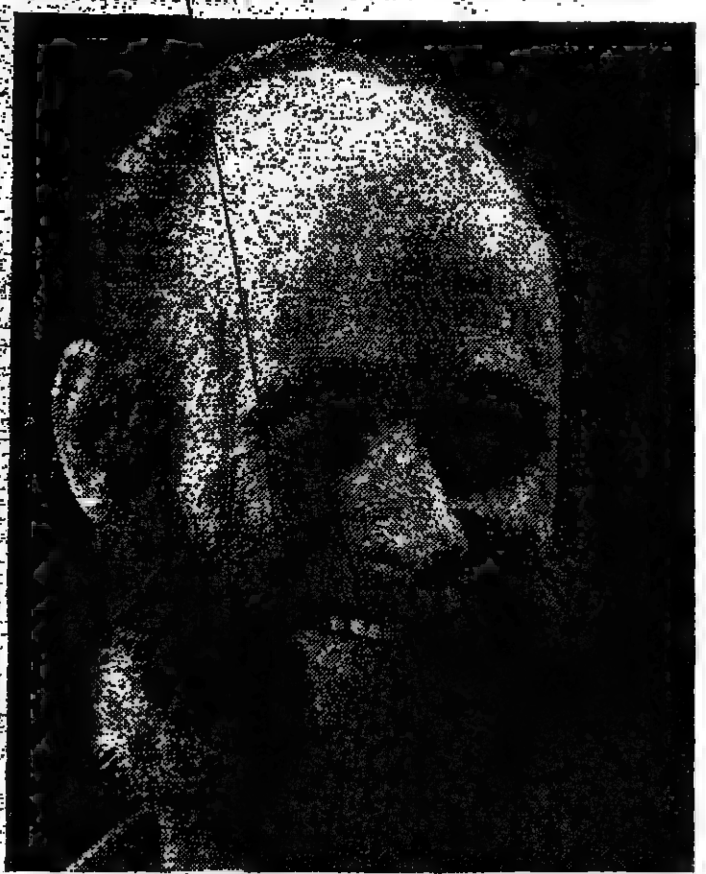
THE ARTS

Television

A festival to end all festivals by CHRIS DUNKLEY

The British Academy of Film and Television Arts (BAFTA) is known to the public—if it is known at all—for the single annual programme it provides from the Wembley Conference Centre when Princess Anne presents the Academy's awards for the best British television programmes, films and performances. Though I have served for some years on BAFTA juries and believe that the idea of the awards is a good one, it must be said that the awards programme is often most memorable for the archness of the script delivered by a couple of embarrassed presenters.

However, that evening is not BAFTA's only activity. The Academy provides various facilities for its members, chief among them being its headquarters at 195, Piccadilly, in central London. This contains a 200-seater cinema called the Princess Anne Theatre where members can attend free screenings of forthcoming films, hold discussions about the industry, and so on. There is also the smaller Run Run Shaw Theatre (named after a generous benefactor) which is actually a television viewing room used mostly by television critics for pre-viewing both BBC and ITV programmes.



Christopher Nupen: Gold Mask award

But the most frequently used facilities, naturally enough, are the pleasant bars and restaurant and the surrounding area where members can sit and chat and—during the past week—watch Wimbledon on the three sets available.

The awful irony is that during the same period BAFTA, in association with Philips Industries UK, has been holding its second International Television Festival and if they had chosen to, members could instead have been watching what were supposed to be "the best of the world's television programmes"—a play from France for instance, or a ballet from Switzerland, a news report from America, or a children's puppet programme from South Africa. Yet with total steadfastness the tiny minority of members who bothered to turn up at BAFTA at all during the festival opted without hesitation for Wimbledon.

The trouble is that having watched at least part of most of the 36 competing entries from 26 countries (and many in their entirety) I have to admit that the members have been dead right: one was better emloyed watching the tennis. Though it was clearly proper last year to give the festival a fair chnce in its first effort, and even right to give it the benefit of the doubt again this year for its second, it is going to take some pretty powerful wild horse to drag me along again next year if there is a third.

It is not that the administration of the event is poor. On the contrary, screenings begin and end on time and rarely if ever break down, which few other television festivals can boast.

It is not that viewing conditions are bad: the cinema is modern and comfortable, and since it was habitually 90 per cent empty there has been no difficulty in getting seats. Between 10 and 15 delegats, nearly all foreign, has been the average attendance.

It is not simply that entries are almost without exception twice as long as they ought to be.

Nor is it the complaints from independent producers or smaller co-producers that only national broadcasting organisations can compete, and that they only ever enter programmes made entirely by themselves.

It is not just that after two years it is clear that there is no sane way to adjudicate between programmes when you have no categories, so that the very well crafted 10-minute studio puppet show *Little Hexi Goes To The Moon* (in a helicopter, apparently) has to be judged against an excellent 50-minute CBS news feature on *The Boat People* (which ought to be seen in Britain).

It is not that the only event in this year's festival which virtually filled the Princess Anne Theatre—a "lunchtime lecture" from IBA director-general Sir Brian Young about "The IBA And Channel 4"—was judged by general consent worthy of one of BAFTA's one-eyed mask awards for "Most Banal And Uninformative" of all the many such speeches made on this topic during the past ten years replete as it was with such declarations as "Finance must be adequate!" (So much for all those expecting an IBA campaign for *inadequate* finance.)

It is not even the extraordinary habit of giving one of the festival's top awards to a programme produced by a member of the jury—last year the gold to *Impressions from Upper Mongolia* which was produced by jury member Manfred Gräter, this year the silver to *Macmillan's Mayerling* which was produced and directed for London Weekend TV by Derek Bailey with this year's British juror Nick Elliott as executive producer. Public assurance that jurors may not vote for their own entries is not enough, even when allied to private faith in the rock-like integrity of Messrs. Gräter and Elliott, to stop eyebrows being raised.

All that is discouraging enough. But the real reason I shall stay away from any future festivals is that I am now convinced that if top rate television in which "the frontiers are being extended both artistically and technically" (that being the festival's object) is what I want to see during BAFTA festival week, my chances are a lot higher sitting in front of my own set at home than sitting in the Princess Anne Theatre in Piccadilly.

At home, although it is summer and the screen is dominated by sport and old movies, the general standard is relatively high and I do stand quite a good chance of seeing repeats of *In The Looking Glass*, *Monty Python's Flying Circus*, *The Kenny Everett Video Show*, *The Innes Book of Records*, or *Pennies from Heaven*; each of which has done more to extend the frontiers of television than all the festival entries put together—and that goes for Britain's entries too which, as well as *Mayerling*, included an episode of *The Body in Question* from the BBC.

What I can be quite sure of seeing at BAFTA is an eye-glazing succession of costume productions which seek to exploit chromakey, an electronic process allowing you to mix images and "float" characters in space, producing bizarre juxtapositions or Tom Thumb style contrasts in the sizes of performers. It is a trick which has limited amusement value on first acquaintance but which (like most techniques in any creative form) rapidly palls if it is used as an end in itself rather than a means for achieving some other creative purpose.

It is presumably more than sheer coincidence that such a means of escape from reality was used most in entries from Romania, Poland, Russia, Czechoslavkia, Yugoslavia and Hungary, though the precise socio-political reasons might fill a book.

Many of the other favourite techniques — overlaying one picture on another, mixing full colour videotape with monochrome film, switching images into negative and so on—were used by Christopher Nupen in the programme he made for the German ZDF station *Elegies For The Deaths of Three Spanish Poets* (Machado, Hernandez and Lorca) with which he won this year's gold mask. The two differences between his programme and so many using similar methods are that there is a very clear intelligence at work behind *Elegies*, exploiting the electronic techniques to convey specific notions and call forth specific responses in the viewer; and they are used skilfully.

So often in other productions skill was missing: a necklace floated through the air towards Cinderella's neck in the Czech ballet and arrived an inch too far to one side; the mannikin in Romania's *Carnival of Animals* rose into the air slightly above the giant's hand, not on it, and so on.

The only two programmes for which it might have been worthwhile missing a little of Dan Maskell Fortnight, apart from the award winners (and of course *Mayerling* has been shown already and been awarded the 1978 Prix Italia for music) were Canada's sad programme about *The Dionne Quintuplets*, a familiar format mixing archive newsreels and new interviews; and Italy's *Stryx* solely because it set out quite deliberately to include eroticism in a light entertainment programme loosely constructed around witchcraft—the erotic being an ingredient which television habitually treats in just the way that BAFTA members treated their own 1979 International TV Festival: as though it didn't exist.

Aldwych

Wild Oats by B. A. YOUNG

Blind John O'Keeffe's marvellous farce, though re-cast in a number of parts since we saw it three years ago, still has Alan Howard as Jack Rover, the strolling player, and even if all the rest of it weren't as good as it is this would be inducement enough to lure any sensible playgoer to the box-office at once.

The story parodies the kind of melodrama W. S. Gilbert was still parodying a century later, full of impersonations, revelations of secret marriages and births and so on. Harry Thunder, John Nettles, (a study in gentlemanly naughtiness), son of Sir George Thunder, has run away from school to join a band of players under the name of Dick Buskin. Fellow-player Rover, for reasons I needn't go into here, pretends to be Harry Thunder, not knowing who Dick really is.

Sir George, a retired naval officer, has secretly married under the name of Seymour. Naturally his long-abandoned wife and child are found from among the other characters, and all ends happily—more happily, I hope, than at the first night, when a curtain stuck halfway down just as the company was about to serenade our exit with their version of "It was a lover and his lass."

Leonard Burt

Alan Howard

What adds extra colour to the dialogue is Rover's weakness for quoting Shakespeare and others, constantly but not always aptly, in his conversation. Jane (Zoe Wanamaker) is only half delighted when he woos her with the line "I kissed thee ere I killed thee." The rest of the talk, and indeed the manner in which it is played, is Gilbertian, only a good deal more inventive and less full of lawyer's jokes. "Are you well?" asks Amelia (Eve Pearce), when she finds Rover lying blood-stained and unconscious on the floor; and naturally he sits up and gives her a proper answer.

Alan Howard's gift lies mostly in the timing of his lines, which is magical. I have sometimes groused about his speaking in verse; but in his comedy playing I don't think I could find a fault if I wanted to. Some of those around him rely on exaggeratedly comic movements—Norman Rodway, for example, as Sir George, and Malcolm Storry as his ex-boatswain, now his valet. None the worse for that, their performances fit as well into the farce as a dame into a pantomime. Others rely more on comic truth. There is another lovely performance by Allan Hendrick as Sim, the farmer's son; Miss Wanamaker's Jane is only just beyond the bounds of, say, Eden Phillpotts. Yet others must remain straight. Sinead Cusack's Lady Amaranth, the wealthy and beautiful Quaker, could not be better, nor Donald Douglas as Banks the unbeneficed parson and Eve Pearce as his sister.

This splendid romp is directed by Clifford Williams in the same mood as his immortal Comedy of Errors. The scenery (designed by Ralph Koltai) is very simple to look at, but scene follows scene rapidly and entertainingly, the changes themselves a subsidiary pleasure. The production was very, very well worth bringing back. I hope it won't be the last time.

Ballet and opera on television

Humphrey Burton, head of BBC Television's music and arts department, has announced a series of transmissions during the summer months. BBC2 is to show programmes featuring the New York City Ballet (dancing three works on Sunday, August 26), Merce Cunningham (on August 5) and a documentary about Diaghilev (on August 18). On July 15 Richard Strauss's *Der Rosenkavalier* will been seen, with Gwyneth Jones, Lucia Popp, Brigitte Fassbaender and Manfred Jungwirth, Carlos Kleiber conducting.

The season begins on Sunday, July 8 when Marius Petipa's *La Bayadère* will be seen in full. This is the first time a programme has been shown in Britain from the Leningrad State Kirov Theatre, and this full-length ballet, dating from 1877, will be seen for the first time in the West. The cast includes Gabriela Komleva as Nikiya and Tatyana Terechova as Gamsatti. C.C.

Comédie Française, Paris

Dom Juan by NICHOLAS POWELL

The Comédie Française's current production of Molière's *Dom Juan*, which runs until July 30 and again from September 15, is so good that French reviewers have been reduced to breathless praise or critical nit-picking.

One critic—a Communist—noted that Dom Juan was "not subversive enough." Another carped at Donna Elvire's unsuitably luxurious nightdress in Act V. This latest *Dom Juan*, which took a year's work to produce, adds ambiguity to the already elusive personality of its principal character.

Francis Huster

Directors Jean-Luc Boutté and Philippe Kerbrat, like Jean Vilar and Antoine Bourseiller before them, have chosen to soft pedal to supernatural elements of the last two acts. The Commander's statue is represented by a bust, and the Commander as a character by a doll-like head. There is no descent into Hell, none of the "great fires" stipulated in the stage directions. Molière's hero is given a quiet if painful death, bereft of any metaphysical dimension and disturbing in its banality after the urgent warnings of his father, wife and servant Sganarelle. Gone too is any notion of celestial wrath or of Dom Juan the atheist too proud to repent when faced with proof of divine workings.

Francis Huster's Dom Juan is subtle, archly self-conscious and sensual to the point of effeminacy. He is simultaneously sympathetic and repulsive, a spoilt darling who knows the social ropes too well for any situation to prove too difficult. Nothing amuses but the pursuit of novelty, justified by spurious but ever so clever rationalisations and wrapped in the ribbons of an acceptable romanticism.

As this chillingly self-aware Dom Juan remarks towards the end of his career: "Hypocrisy is a fashionable vice and all fashionable vices pass for virtues."

The devious intelligence of Dom Juan commands admiration even when he most repels. As for example when he is faced with an imploring and passionate Donna Elvire (Catherine Ferrat) or an outraged Pierrot (Gerard Giroudon) who watches his faithless fiancée fall prey to the aristocrat's polite lust.

Francis Huster is set off by a boisterous and sympathetic Sganarelle (Patrice Kerbrat) who argues surprisingly democratically with his master: more whining and cringing on his part would better have set off the cruelty of his position, subjected to a man morally his inferior.

As ever at the Comédie Française, reopened in September 1977 after extensive renovation, even the smallest roles are played by first rate actors. The period costumes are sumptuous with the familiar Comédie Française attention to meticulous historical detail.

The scenery for Dom Juan is simple and spacious, with imaginative lighting effects and accessories giving impact at the moments in Act IV and Act V in which Boutté and Kerbrat have chosen to sidestep the metaphysical.

Wigmore Hall

RNCM students

The Royal Northern College of Music has got into the admirable habit of annually sending the best of its senior student performers southwards to the Wigmore Hall, for the invaluable experience of an early appearance before the London public. Monday night's recital of English, French and Czech music was the second of two; the talent arrayed may have been of capable rather than exceptional standard, but the programme was, in the best sense, devoid of routine.

Peter Maxwell Davies' *Stedman Doubles*, a dialogue for solo clarinet and percussion, was a testing choice for students. It was surmounted by Anthony Hope and Christopher Bradley with an unassuming ease of technique and manner that allowed one to forget about the student label and simply concentrate on the music. The composer lays out a "motet," and at the same time arranges its disruption by the spirits of spleen, parody, and sudden violence always so powerfully called up in Maxwell Davies' "medieval" music. Mr. Hope didn't quite generate the sheer force of sound, hovering on the verge of the listener's pain threshold, that makes Alan Hacker such an extraordinary performer of the work; but his survey of the clarinet harmonics and other effects was both musicianly and purposeful. He and his partner held one intent on the progress of a difficult, disturbing, masterly composition.

This was the most striking performance of the evening. The Debussy G minor string quartet was played by the Arioso Quartet, in tones smooth and well-knit, in phrases that tended to an excess of cautious uniformity — there is more rhythmic variety to Debussy, more drama in his quartet discourse, than yet fathomed by these players. The Czech works framing the concert sent some vigorous brass ringing through the hall; the effect is unfamiliar in these parts, but it was comfortably accommodated. The Variations on a Chorale (1968) for brass quintet by Petr Eben (b. 1929), currently a visiting Fellow in composition at the college, proved to be harmless stuff—Malcolm Arnold in Czech pants. The quirky exhilaration of Janacek's Capriccio for piano left hand (Peter Noke), six brass players and a flute, was rendered soundly under the conductor David Drummond. A little too harmlessly: D flat in late Janacek should always affect the listener as an emotional outpouring, but the final bars, though still tonic, were not quite like that on this occasion.

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Steel is a business

IN HIS chairman's review accompanying the British Steel Corporation's annual report Sir Charles Villiers lists four urgent priorities on which the return to viability depends. One of these is "awareness that failure to make profit and generate cash will sooner rather than later lead to further plant closure as in all other walks of industrial life." The point seems obvious enough, but it goes to the heart of the BSC's problems. When every allowance has been made for the severity of the world steel crisis, stemming from surplus capacity and stagnant demand, the most difficult task for the Corporation is to instil in managers and employees at all levels the disciplines that would apply if it was a private-sector business.

Losses

There is an understandable feling within the Corporation that no Government, not even one led by Mrs. Margaret Thatcher, will allow so vital an industry as steel to wither away, that the BSC's losses are no higher than those of several major foreign companies, and that if other Governments are prepared to protect their national steel industries until better times return, the UK should do likewise. As long as these attitudes persist, the BSC will continue to be a drain on the taxpayer and losses will be far higher than they need be.

It is true that some progress has been made, with unexpectedly little opposition from the employees affected, towards the removal of obsolete steelmaking capacity. Yet the most striking feature of the BSC's financial performance in 1978-1979 is the size of the losses at some of the relatively modern works which have received very large investments in new facilities during the past few years. In South Wales, for instance, Llanwern made a loss after interest of £30.7m and Port Talbot a loss of £30.1m.

Poor quality

Clearly a major reason for the losses has been world overcapacity, leading to weak prices, in flat rolled products which are the main business of these two works. But there is little doubt that there are serious shortcomings in the internal operations of the works, resulting in irregular deliveries and inconsistent quality. In addition, the annual report notes that in the Welsh Division internal disputes and embargoes led to a loss of some 190,000 tonnes of steel production and cost £8.6m last year.

A *privately-owned steel* company could not sustain losses on this sort of scale for any length of time; it would have to embark upon drastic cost-cutting measures or, at worst, closure. The Government has apparently decided that for the 1980-81 financial year, beginning next April, it will not fund the BSC's revenue losses, although it will help to finance a modest capital spending programme. While this should exert strong pressure on the BSC's top management, there remains the problem of how to transmit these disciplines down the line, to the managers of individual steelworks.

It is precisely for this reason that Sir Charles Villiers has wanted to cut out, or at least greatly reduce, the layers of central and divisional management which provide a protective cocoon for the works managers in the field. By identifying individual steelworks as profit centres in their own right, he hopes to give more responsibility and more incentive to the executives in charge of them.

Devolution

In any large and complex company like British Steel there is room for argument about the appropriate balance between the centre and the operating units. Some executives, conscious of the disruption caused by past organisational changes, may feel that the devolution of profit responsibility which Sir Charles wants can be achieved within the present structure. But given the financial crisis which the BSC is facing there is a strong case for simplifying the organisation so that the link between jobs and profitability is clearly understood at plant level.

The application of commercial criteria to the BSC may be resisted on the grounds that other governments are continuing to support their steel industries: if the BSC cuts back its capacity too far and too fast, this may simply increase imports of subsidised steel from abroad. This is a danger that will have to be carefully watched, especially as the Davignon Plan is having only limited success in maintainin stable prices within the EEC. But it would be quite wrong for the BSC's drive for viability to be relaxed in the hope that some European solution to the industry's problems will eventually emerge from Brussels. Such hopes merely provide a further excuse for delaying unpleasant decisions. British Steel must be run as a business, not as a public service, and the Government must ensure that the Corporation has the management and the organisation which will permit that objective to be achieved.

Latin America and the U.S.

THE PRESENT state of affairs in Central America has concentrated attention once again on the problems facing Washington in its relationships with its Latin neighbours. The hostile reaction that Latin American governments of all political complexions showed to Secretary of State Vance's call in the Organisation of American States last month for the despatch of a military force to Nicaragua has shown that these problems continue to be thorny and not amenable to quick resolution by diplomacy.

On the one hand Latin America is unwilling to give even the best intentioned administration in Washington the chance of participating in any new armed intervention in the region. On the U.S. side there is an understandable preoccupation with the stability of Latin America and the defence of its strategic and economic interests in Latin America.

Tougher tactics

After the attempt by President Kennedy to start a new era of good neighbourliness collapsed as the Alliance for Progress proved to be effective neither in the economic nor the political spheres. Presidents Johnson and Nixon had recourse to tougher tactics as exemplified in their policies towards the Dominican Republic in 1965 and towards Chile in 1973.

When Mr. Carter took office in 1977 he realised that he had been left a dangerous legacy by his predecessors and set about defusing the situation in a very creditable way. He distanced himself from the more unpopular rulers in Latin America, reaffirmed a U.S. commitment to effective democratic government in the region and announced that his administration was as interested in social reform as President Kennedy had been at the time of the Alliance for Progress.

Among the concrete achievements that President Carter can point to as the fruits of his new policy is the agreement with Panama on the future of the Canal. Under the terms of the pact worked out by his administration with the Panamanian Government the waterway will pass under local jurisdiction on October 1. While legitimate U.S. interests in the Canal will continue to be guaranteed, the danger of renewed outbreaks of disorder and rioting has been overcome.

Challenges

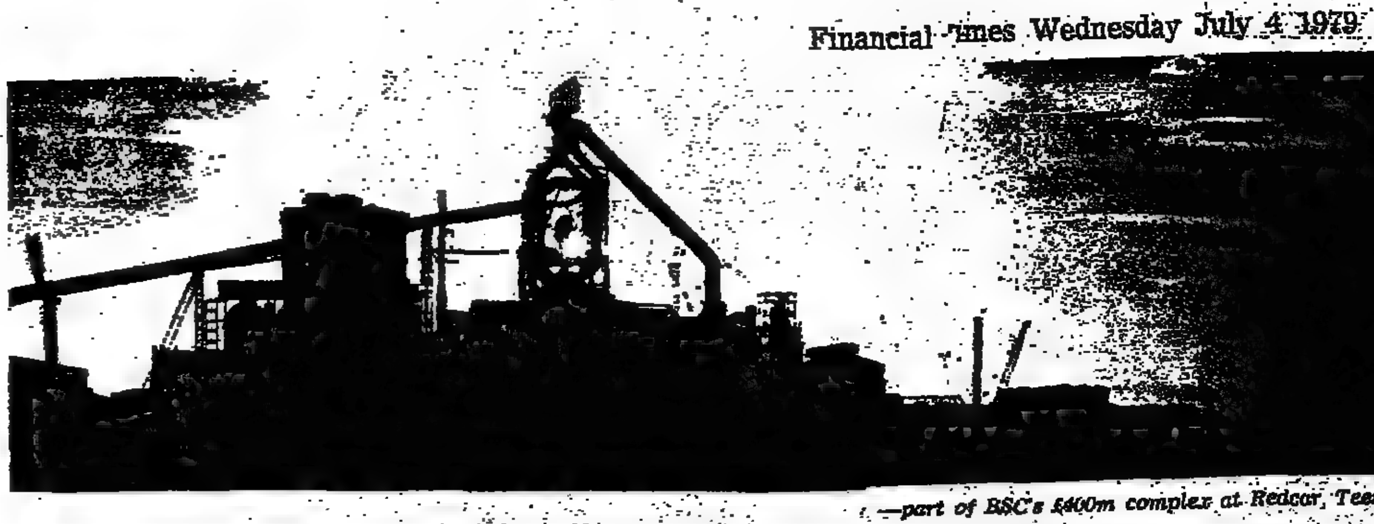
Closer to home Mr. Carter's handling of relations with his oil-rich Mexican neighbour also promises benefits and an increased flow of oil and gas that the U.S. needs. In Central America, most notably in Nicaragua but also in Guatemala and El Salvador, the U.S. faces difficult challenges. Popular dissatisfaction with Governments which in the past have been able to count on automatic U.S. political and military support have created an area of great instability.

Powerful voices have been raised in the U.S. urging Mr. Carter to quit his policy of political reformism and return to supporting authoritarianism. It has been argued—unconvincingly—that the majority of the critics of the present governments of Nicaragua, Guatemala and El Salvador are the puppets of the Cubans and ultimately controlled from the Soviet Union.

Political dividends

Mr. Carter should refuse to give any credence to such arguments, continue to distance himself from autoritarian regimes and give every help to those who want to see them replaced by new governments committed to reform and effective democracy. In Central America, as in Argentina, Brazil and many other countries of the region, support for reformists and democrats should bring the U.S. and other Western countries political dividends. All Mr. Carter has to do is to stick to the policies towards Latin America that he set out when he entered the White House.

'The corporation must look hard at the big loss makers—now clearly exposed to public gaze'



—part of BSC's £400m complex at Redcar, Teesside

The knife at BSC's throat

BY ROY HODSON

BRITISH Steel Corporation now appears to be heading for uncharted and rock-strewn waters, with a loss for 1978-79 of £309.3m and the plans for reorganisation by its chairman, Sir Charles Villiers, rejected by the Board.

Less than a week ago, Sir Charles had proposed a major restructuring of BSC as the best formula for reducing the corporation's formidable losses. At a Press conference yesterday he officiated over the burial of his scheme, admitting that "there is now no doubt that the consensus of the Board is that *any* reorganisation at this stage would cause sufficient disruption to damage, rather than assist, British Steel's progress to break-even and the elimination of our terrible losses."

But if Sir Charles considered a reorganisation necessary last week to reduce continuing losses of approximately £1m a day, what has happened in the meantime to render such drastic action unnecessary? The answer is nothing.

Sir Keith Joseph, Industry Secretary, has said the government will not fund British Steel's trading losses after March 1980. New action must be taken if the corporation is to have even a fighting chance of operating at a break-even rate by that date.

'Break-even' dilemma

While sticking to the target of achieving a "rate of break-even" by March 1980 Sir Charles made the significant point that the board has not set *itself any objectives to* break even over a complete year.

The likelihood is that after losing £150m in the current six months, April to September, British Steel will continue to *lose money in the second half of* the financial year. The forecasts are not propitious. They suggest market conditions for world steel will become more difficult.

Senior executives involved in the day-to-day running of the corporation hope they will be able to accelerate the closure of loss-making steelworks during the period up to next March. But even with the toughest imaginable closures programme, they can hardly hope to turn the corporation round to meet Sir Keith's deadline.

The best thing to come out of British Steel's annual report for 1978-79 is more frank disclosure than ever before of *exactly* where in the vast organisation the money is being made and lost. The structure of the corporation has, until now, shielded the performance of line management.

This year the profits or losses of 14 separate profit reporting centres are published. (They are listed in the accompanying table.)

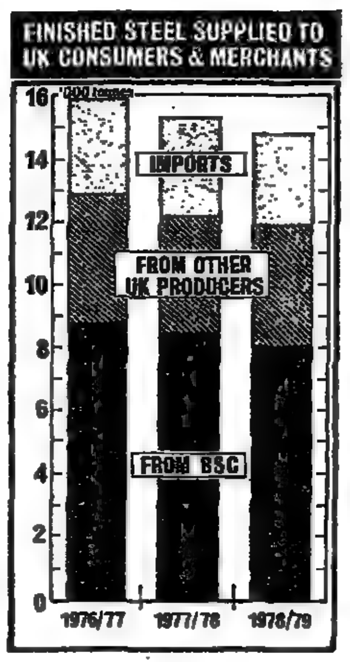
Only three of the 14 units made any money. The Sheffield steelworks group, which is largely based upon electric steelmaking using scrap as a raw material, acquitted itself well with a profit of £9m. But that was more than cancelled out in the Sheffield division as a whole by big losses made by the new £130m stainless steel investment (which cannot find markets for its output) and by smaller subsidiaries suffering hard times.

The other two profitable parts of the corporation were quite minor activities: non-steel tubes —made a £2.8m profit and ancillary business conducted by the *Tubes division made* a further £3m.

If the corporation is to turn itself round it must look hard at the big loss-makers—now clearly exposed to the public gaze.

The worst situation is to be found in Wales, where all three of the big strip steel mills are continuing to lose money heavily. The Welsh division as a whole has lost £96.6m in the last year. The Port Talbot works is losing £14.40 on every ingot tonne of steel made, the *Shotton works in North Wales* is losing £23.90 a tonne, and the modern Llanwern works is losing £17.30 a tonne.

That Shotton is losing money is understandable; its iron and steelmaking facilities are old and relatively expensive to run. The corporation cannot be expected to maintain iron and steel making there much longer, for it has no money for new equipment.



LEADERS AND LAGGARDS

For the first time British Steel discloses in detail the profitable and loss-making parts of its business:

	Profit/Loss	Number of employees
Scottish Division	—£83.0m	11,600
Scunthorpe Division	—£27.8m	19,700
Sheffield Division		34,800
Steelworks Group	+£9.0m	
BSC Stainless / Forges and Foundries / Light Products / Cumbria	—£34.7m	
Teesside Division		25,100
Consett Works	—£15.2m	
Teesside Works	—£65.9m	
Welsh Division		48,400
Llanwern Works	—£30.7m	
Port Talbot Works	—£30.1m	
Shotton Works	—£27.3m	
Associated Products Group	—£10.2m	
Tinplate	+£1.7m	
Tubes Division		30,100
Steel Tubes	+£17.5m	
Non-steel Tubes	+£2.8m	
Other business	+£3.0m	

Lack of excuses

But there is no ready excuse for the operating losses at Port Talbot and Llanwern. A critical government can be expected to conclude that for those works to lose money on every tonne of steel made represents a failure of management to manage.

Sir Charles's scheme would have involved the replacement of the six existing divisions by three "super divisions" and a *redistribution of responsibilities* so that individual plants' managements would have been made squarely responsible for making steel profitably. The executive chairman — Sir Charles — would have been supported by three vice-chairmen, each responsible for one of the three super divisions. It was likely that one division would have encompassed Scotland and Sheffield, the second Teesside and Scunthorpe, and the third Wales and the Corby tubes-making.

That part of the scheme cut across regional loyalties and made no sense at all to many of Sir Charles's board members. But the second part, requiring 15 managing directors in the regions to show profits to a small central organisation, appeared to make rather more sense.

The weakness — in the view of some critics, the fatal flaw —was that those 15 profit centre managers could not be wholly responsible for the affairs of the businesses they would manage. They would have responsibility for production. But such is the structure of British Steel that other important matters including purchasing and supply of raw materials, labour relations and sales of products would have been handled at national level and *thus would have been outside* the influence of the regional men.

The board will naturally be concentrating attention in the coming months upon saving *money as quickly* as it can by closing unprofitable works. Steelmaking at Corby, Shotton and Consett must be high on the list. The strengthening Pound makes early closures even more desirable from the corporation's point of view. The current level of export business of just under 3m tonnes a year is, by and large, not profitable in the face of a strong Pound and fierce foreign competition.

British Steel might be expected to deliberately shed some of its export trade and to give much more emphasis to winning back the 20 per cent of the home market which is currently taken by imports. But such a strategy will mean that works manufacturing a high percentage of their products for export markets will have to be closed.

At present the corporation has a theoretical steel production capacity of 22.5m liquid tonnes a year and expects to make between 1?m tonnes and 18m tonnes in the year 1979-80 compared with 17.3m tonnes in 1978-79.

There is virtually no prospect of the business being returned to profit while it continues to operate at only 80 per cent capacity.

The corporation has now lost £1bn in the past four trading years while it has incurred a further £1bn deficit by capital investment at the fastest rate in its history.

The round of capital spending is now almost complete, however, and has resulted in the corporation securing the best array of steelmaking plant to be found anywhere in Europe. It could pay off if there were to be a revival of steel demand in the early 1980s. But there is little prospect of that; indeed Sir Charles forecast yesterday that the economic environment was likely to become "even more hostile."

Meanwhile, the capital spending is saddling British Steel with interest payments of £207m this year. Every tonne of steel made is carrying a burden of £12 of interest.

The league table of loss-makers among European steelmakers in 1978-79 is headed by Sacilor (France) losing £32 a tonne, followed by Italsider (Italy) £21 a tonne, Cockerill (Belgium) £20 a tonne, British Steel £17 a tonne, Salzgitter (West Germany) £10 a tonne, and Arbet (Luxembourg) £6 a tonne.

Facts of life

None of British Steel's competitors in that comparative list has spent anything like the sums recently invested by the corporation on new plant.

If the interest component is deducted from British Steel's losses per tonne, it can be seen the corporation comes down to a relatively low rate of loss of £5 a tonne—a good performance by current European standards.

But the facts of life are that the investments have been made and British Steel has to try to pay for them.

It may be *possible for the* Government to give the corporation some relief by means of a capital reconstruction. The idea was considered and then shelved for more thought at the time of the 1978 steel crisis, when the corporation's losses touched £1.5m a day. Now, an eventual capital reconstruction is being given further consideration and the corporation's fixed assets are being revalued on the basis that installed plant capacity is more than the corporation can "reasonably expect to utilise"—the words of Mr. Bob Scholey, chief executive and deputy chairman.

The revaluation may be published with next year's accounts. Government support for some relief of the corporation's financial burden would be a great morale-booster for the corporation's 186,000 employees. But it would have to be carried out with care in conjunction with the intended lower profile in some export markets. Otherwise, it would attract charges *of subsidised competition from* other world producers.

The Government would welcome any financial savings that British Steel could make by selling off perepheral interests. But the opportunities in that direction are limited. The two obvious candidates are parts of British Steel Chemicals and the constructional business, Redpath Dorman Long. Such sales might make £30m—a single month's British Steel losses at present rates.

Sir Charles denied yesterday that the corporation would sell off the stockholding business, British Steel Service Centres.

Sir Keith Joseph last night followed the announcement of the latest British Steel losses with a statement to the Commons setting out the new and stringent cash limits for the corporation. In the next financial year the Government will not finance operating losses. British Steel's cash limits will be squeezed. They will be sufficient *only to supplement* internally-generated funds in order to cover fixed investment and essential capital needs.

The British Steel management can be in no doubt about their orders. They have to cut out unprofitable activities to reduce to nothing a £300m deficit at a time when the market outlook for steel sales is bleak. They are not optimistic about succeeding.

MEN AND MATTERS

Keying into kids for Christmas

The joke about fathers buying their sons model train sets, then spending all day playing with them, is about to be translated into the new technology. Parents must brace themselves *for a silicon chip Christmas.*

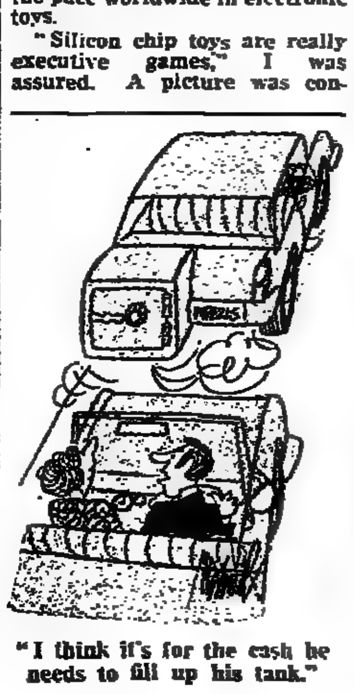
A race is in progress to bring electronic games into the £450m British toy market. The forerunners are already flexing their programmed muscles, as was evident yesterday in the Savoy *Hotel, London,* where a dozen leading manufacturers were displaying their latest wares.

The man from Spear's enticing me to try a new game in which you pull a string to make a pig fall into a hole, was a world away from the Palitoy director, who rattled off all the latest micro-processing jargon. Palitoy, with a factory in Coalville, Leicester, is part of General Mills, the U.S.-based *conglomerate, which is setting* the pace worldwide in electronic toys.

"Silicon chip toys are really executive games," I was assured. A picture was conjured up of some captain of industry idling his time away on an Inter-City train with Merlin, a £25 toy borrowed from the nursery. The core of this newly launched product is a chip costing less than £1, supplied by Texas Instruments and programmed for six different diversions: the most elementary is playing noughts and crosses against the chip.

Other manufacturers are pouring large sums into this field, although the Airfix representative talked gloomily about the hazards: "Next year toy*shops will be flooded* with electronic games." It seems that the Far East has not even plugged in to this development yet.

More on my level was a Danish exhibitor who gave me a plastic "assemble it yourself" steam engine. Until I have mastered that one, the mysteries of Merlin can wait.



"I think it's for the cash he needs to fill up his tank."

A toast to Tokay

"I just had second thoughts," says Clifford Chadwick, "about sitting and looking at it at home." A paint manufacturer, Chadwick paid £1,300 for a small bottle of 300-year-old Imperial Tokay Essence at Sotheby's wine auction, but has now decided to give it to the Hungarian ambassador in London, who is returning it to its place of origin, *where a new* wine museum has been set up.

Chadwick explains: "I'm particularly fond of Hungary, and I'm also fond of history." He says he was not even tempted to try the wine—the bottle has been dated between 1680 and 1700 by the British Museum—but thinks it is probably still drinkable. "The unique thing about it is the noble rot they allow to set into the grapes, which produces a high *alcohol* strength that has probably preserved it."

Just how far the wine has travelled over three centuries is something of a mystery. Its last recorded resting place was in the Imperial Cellars in Berlin, from which it was "removed" in 1918, "when Kaiser Bill got his come-uppance," says Chadwick.

Latest score

The latest in a flood of musical sponsorships by big business will be announced today. The London Symphony Orchestra is to make a major tour of the United States, with the aid of American Express. Details of the programme will be proclaimed at a Mayfair hotel by James D. Robinson, the American Express chairman. The public relations timing is adroit, seeing that this is American Independence Day.

Another U.S. transnational, *AMOCO, recently announced* a £250,000 sponsorship for the Welsh National Opera—which is also receiving a helping hand from Imperial Tobacco and the NatWest.

The Amoco tie-up will include the selling of records of opera choruses at the company's filling stations; motorists at the pumps will also be offered Welsh National Opera tee-shirts. "It suits them and it suits us," I was told by Brian McMaster, the opera's general administrator.

Feeding bears

China's pride, the rare giant panda, is flourishing again in the high mountains of remote Gansu Province, and its mating call comforts naturalists who until recently feared its extinction. The bad year for pandas was 1976, when a *disastrously cold* winter coincided with the disappearance of the arrow bamboo, pandas' favourite food, which dies out every 60 years. Many pandas died too—with touching resignation, apparently putting both front paws to their head; and waiting patiently for the end.

Chinese government rescue teams drove the surviving pandas down into the valleys, where commune members flung blankets over their heads, tied them up, and took them to shelter. There the pandas were *re-educated* to accept rice, maize, potatoes and types of bamboo other than the arrow. After two months, a dozen had put on weight and a number were sent back into the bamboo forests. *Local woodmen* are now hunting jackals, the pandas' natural *enemy, and children* are told not to tease them. But the danger seems to be over.

Holding out

Last-ditch attempts are being made to keep afloat the Irano-British Chamber of Commerce, which has—not surprisingly—fallen on lean times. A letter just sent to its members says that the chamber needs £20,000 to keep going until September, and the outlook after that is grim. The reason is very simple —the political situation and the *dramatic exodus of* British companies from Tehran.

Members are being asked to pay their 1979-80 subscription of £275 straight away, and to attend an extra-ordinary general meeting on Friday. "The medium- and long-term prospects for trade with Iran are good," insists chairman Desmond Harney, who sees the chamber's survival as a vital element in re-establishing good *relations between* the two countries.

On the record

In the world of rock musicians a cutting riddle is being circulated at the expense of EMI — once the beneficiary of the Beatles, the Hollies, and countless others in their heydays, but now sadly bereft of any such rich pickings. Question: What's the difference between EMI and the Titanic? Answer: The Titanic had a good band.

Observer

How pay beds help the health service

BY PAUL TAYLOR

THE CASE against providing facilities for private patients within the National Health Service is flimsy. Indeed, while demand for private treatment in the NHS remains, there is a strong argument that these facilities help to support an already weak financial base and maintain the service's standards.

The debate over the provision of private health care in the NHS is focused on the issue of pay beds. But because specific beds are not in fact designated as pay beds—it is perhaps more accurate to talk in terms of "paying patients."

Under the present system, *hospitals, where there is a* proven need for beds for paying patients, are "allocated," or allowed, a specified number of beds for private use. In some hospitals, such as Guy's in London, these beds for paying patients are grouped around a hospital wing: in others the pay bed is simply an extra bed at the end of a public ward.

In these circumstances it is perhaps surprising that pay beds should have prompted such a divergence of political opinion. It is, however, on the political plane that much of the argument is, perhaps *unfortunately, fought out.*

The election of a Conservative Government pledged to encourage the wider use of private medical care has opened up the political debate once again. The debate over the future of pay beds in the NHS will be further fuelled by the findings of the Royal Commission on the Health Service which is due to publish its long-awaited report later this month.

The Commission's major recommendations will cover the questions of NHS structure and internal financial arrangements. *Nevertheless, the Commission* is not expected to shy away from the twin controversial questions of health service charges and private patients in the NHS.

It is expected to point out that health service charges contribute only a relatively small amount of about £200m a year to NHS funds. The Commission is also widely believed to favour the continuing phasing out of pay beds on a similar basis.

This will cause the Government a degree of embarrassment and support the argument of two of the major health service unions, the National Union of Public Employees and the Confederation of Health Service Employees, which have already threatened industrial action if the Government halts the phasing out of pay beds.

Although the issue may provoke further friction between the Government and the unions it is as likely to cause a split in the Labour movement itself since Mr. Callaghan has warned, on several occasions, that the unions should not try to thwart for purely political purposes the implementation of the Conservative Government's policies.

The debate over pay beds has reflected both the political dogma of egalitarianism and recognition of harsh economic realities. The Health Services Act 1976—passed by the Labour Government in response to pressure and industrial action from the same two health service unions which are now threatening industrial action over pay beds—set up the Health Services Board. The Board has three distinct functions: to oversee the phasing out of all pay beds in the NHS by 1982, to make recommendations on the establishment of common waiting lists, and to monitor and control private hospital development.

Under the Act the Secretary of State was required to *withdraw authorisations for 1,000 of* the 4,444 pay beds in existence before May 1977.

The remaining 3,444 pay beds were to be progressively withdrawn on the recommendation of the Board as private beds in independent hospitals became available.

As a result of the Board's work the number of pay beds had been reduced to 2,818 by January this year and there are currently a further 49 beds in the pipeline for "closure." Faced with the problem of deciding which pay beds should go first the Board adopted the criterion of daily occupancy rates as an indicator for demand.

The initial standard adopted by the Board for deciding which pay beds should go first was 50 per cent, *although the Board*, in its first report published in October 1977, said occupancy rates of below 30 and 20 per cent were not uncommon in some hospitals.

After increasing the occupancy standard to 60 per cent the Board, in its annual report for 1978, published in March, adopted a new approach designed to phase out all pay beds—irrespective of occupancy rates—by mid-1982.

In so far as the initial low occupancy rates discovered by the Board when it began its *work reflected a lack of demand*, the "trimming" back of the allocation from 4,444 to 2,770 probably reflects a more closer matching of provision to need. *The move to a target* date for ending all pay bed provision clearly does not embody this principle.

Mr. Patrick Jenkin, Social Services Secretary, argues that the process has now been taken far enough and while he says there is "no question" of putting all those pay beds already withdrawn back again, he is concerned that the present law does not allow for pay bed allocations to be made for new NHS hospitals where there might be a demand for private facilities.

Mr. Jenkin is also aware of *the apparent "higher efficiency"* achieved in pay beds compared with other NHS beds.

Between 1967 and 1977 the average length of stay in a pay bed has fallen from 9.9 days to about 6.5 days, while over the same period the average length of stay in other NHS beds, excluding psychiatric, geriatric and units for the younger disabled, has fallen from 11.9 days to 9.2 days. In 1977 an average of 26.8 patients were treated in every pay bed while only 14.2 patients were treated in other NHS beds.

One previous explanation for *the difference is that private* patients, more aware of the cost of their hospital bed, are more inclined to minimise their hospital stay. Charges for paybeds *in NHS hospitals—standardised* throughout the service in 1968—have risen steadily.

Pay bed charges are set by the Department of Health and Social Security to "reflect the total estimated cost of providing in-patient services." This means that pay bed charges reflect the full estimated cost of the accommodation, including an allowance for capital depreciation, drugs, food and services provided by the nursing and ancillary staff.

In addition to this "hotel charge," the private patient must pay the surgeons' and *anaesthetists' fees* agreed between the consultant and the patient. There are no set scales for these fees but the British Medical Association strongly advises patients to agree them in advance.

The cost of staying in an NHS hospital pay bed now ranges between £128 and £551 a week, depending on the type of hospital. The highest charges are those in London's postgraduate hospitals and in the provincial teaching hospitals.

Charges in the growing independent hospital sector vary considerably, with some of the *more fashionable London hospitals* charging rates above those in NHS hospitals while the smaller local nursing homes charge less.

Direct comparisons are made more difficult because the independent hospitals operate a different charging system based on what is actually used rather than the NHS system of charging a fixed sum.

Since pay bed charges do reflect the full cost of providing private facilities in the NHS, the argument that they drain resources from the remainder of, the service depends on the scarcity of resources.

This line of argument has found its strongest expression in claims that pay beds facilitate queue jumping, a claim strongly denied by both consultants and the British Medical Association. It was in response to this suggestion that the Health Services Board last year published its proposals on common waiting lists for all patients in NHS hospitals, proposals which were later accepted by the Labour Government and which will now be the subject of extended consultations between the Government and the medical profession.

Because the consultants have always maintained that all patients are admitted to hospital on the basis of medical need alone—and patients are admitted to hospital on the advice of the consultants—the introduction of common waiting lists represents, in the view of the consultants, an unnecessary formalisation of the existing practice.

The basis on which the Government is to continue discussions on common waiting lists with the medical profession is that private patients "should not be judged by different standards of priority from NHS patients nor given a higher standard of care." Not only must arrangements for private patients in NHS hospitals operate fairly but *they must be seen to operate* fairly.

The other strand to the argument about the distribution of scarce resources is founded on *the fear that an expanding private* sector outside the NHS draws resources—and particularly manpower—away from the NHS. It was on this basis that for the first time last month the Health Services Board refused to allow an application to extend an independent hospital.

It was argued that a proposed extension to the Marie Louise Private Hospital at Sunninghill, Berkshire, was too close to three NHS hospitals all of which have a nursing shortage.

A Board decision on an extension to the Wellington Private Hospital in North London was deferred this month following a request from the Social Services Secretary for the Board to ease up on its work. Clearly the Government is now seeking a more flexible and less centralised approach to the problems caused by scarce resources based on consultation machinery involving both local health authorities and the independent sector.

The problem of manpower resources is one which must be faced both within and outside the NHS, a fact recognised by the Government in its proposals for joint NHS/independent sector projects including staff training.

There is little doubt that the recent rapid expansion of the independent sector has been fuelled by fears about the future of private medicine inside the NHS.

Total membership of the three largest private medicare firms—British United Provident Association, Private Patients' Plan, and the Western Provident Association—grew by 6 per cent last year to 1.12m and premiums are expected to *reach about £100m in the* current year.

A greater degree of confidence about the future of private health care inside the NHS *might, therefore, paradoxically* help to ease the pressures of manpower shortages and help maintain the existing standards.

The ending of private facilities within NHS hospitals could indeed lead to a wastage of resources. For example, a consultant who wished to continue a part-time private practice would be forced to travel from the NHS hospital to an independent hospital to care for a private patient.

This would mean not only a period of "wasted time" but also that the consultant would be unavailable for emergencies in the NHS hospital should they arise during his absence.

If private medicine is to have a viable future within the NHS, it will require the co-operation of the consultants themselves. It is against this background that the Government is now considering the consultants' decision to reject their new contract which they claim is underpriced and does not allow sufficient time for private practice.

In the longer term, however, the success of pay beds in the NHS must also depend on other sections of the NHS workforce. In particular the Government is considering plans to funnel the revenue from pay beds back into individual NHS hospitals which provide private facilities. Such a move, which would be based on either improving the facilities for staff or patients or sharing out the revenue among all the staff, could provide the key to overcoming union opposition to the pay bed system.

While the demand for private facilities within NHS hospitals exists, private patients can continue to make a contribution to the funding of the NHS and by so doing help maintain the *high standards of medical care* which must ultimately be the primary goal.

THE GOVERNMENT PROPOSALS

The Government has announced plans to halt the phasing out of pay beds in the National Health Service and introduce new legislation in the autumn to encourage the use of private medicine while safeguarding the interests of non-paying patients. The main proposals, now the subject of consultations, include:

Abolition of the Health Services Board—originally set up to phase out pay beds.

Local health authorities to determine a "ceiling" for the number of pay beds in NHS hospitals subject to the approval of the Health Secretary and the condition that private facilities should not prejudice services to other NHS patients.

Health authorities will oversee new independent hospital developments while a new approach based on consultation and joint planning between the NHS and the private sector will be sought covering the joint provision of services and sharing staff.

Letters to the Editor

A false market

From Mr. J. Cowper.

Sir,—Is it reasonable that any institution, in this case the Government, should have the right to create a *false market* in a quoted security? I refer to the market in British Petroleum shares. To state we will sell the shares and not divulge an amount or the price is unjust on the shareholders and the market. Everyday deceased estates are sold and at a price held down by Government interference. Without the intervention of the Chancellor, the price of British Petroleum shares would be considerably higher. They are now a fictitious market.

The Chancellor should not acquiesce in creating uncertainty. The Stock Market, that is the jobbers, have no easy task in making market in shares when all the facts are known. Why should they be put at risk, and all those who contribute as shareholders?

The Chancellor should understand what is meant by a free and unhibited market.

J. D. L Cowper,
The Stock Exchange, EC2.

Real earnings conundrum

From Professor Gerald Lawson.

Sir, — The Lex article, "The real earnings conundrum" (June 25) adds to the present confusion in some British and American circles about the relationship between accounting profits and stock market performance.

Lex reports that, using the aggregate data for 1,000 large UK quoted companies, Professor Basil Moore, a visiting American, has concluded that there is "no evidence that the total after-tax return to equity shareholders had been reduced by inflation, and investors appeared to suffer from a variety of inflation illusions." Modigliani and Cohn have come to the same conclusion about the returns to American shareholders.

Whatever may be true of the U.S., the returns to shareholders of UK listed companies have suffered very substantial erosion since 1964. An analysis I have recently completed reveals the following real rates of return (net of all taxes) from UK listed companies.

	Entity % p.a.	Debt % p.a.	Equity % p.a.
1954-64	6.2	3.1	6.6
1965-76	(3.9)	(0.9)	(4.6)
1954-76	1.4	(0.2)	1.9

(Figures in parentheses denote negative rates of return.)

These figures also indicate that, far from gaining at the expense of lenders, shareholders actually subsidised lenders during the 1964-76 period of relatively high inflation.

My analysis also shows that the sum of interest, taxes and dividend payments has consistently exceeded corporate cash flow earnings throughout the entire period 1954-76. The resultant deficits have been financed by the banking system and other lenders. A substantial repayment of shareholders' capital (debt-equity substitution) has thus taken place. In the circumstances it hardly seems proper to argue, as does Professor Moore, that companies are not paying high enough dividends to encourage investors to value shares at anything like their true worth. Moreover, there is no evidence that debt-financed dividends can prop up share prices.

Professor Moore is probably correct in arguing that it is not *the market but company managements* who have got it all wrong. But the UK evidence strongly suggests that the tax authorities and banks have also been fooled by published accounting data. Thus, effective tax rates on equity cash flow earnings were levered 29 percentage points above the nominal tax rate during 1954-76 while 63 per cent of dividend payments were financed by lenders. A high correlation between equity cash flows and the level of the stock market suggests that the market has consistently uncovered underlying cash flow situations and has not been fooled. There is virtually no association between historic cost profits and the level of the market.

There is also evidence of a severe decline in the quality of entity earnings since 1969 which has been exacerbated by the destabilising incidence of corporate taxes.

Why is there a real earnings conundrum? Because of the failure to recognise that so-called "revaluation gains" cannot generally be enjoyed by the shareholders of a going concern. To include these "gains" in an income statement is a clear case of double counting. Such double counting stems from an elementary confusion about the distinction between mutually exclusive concepts of value, namely, value in use and value in exchange. If an asset is enjoyed in use it cannot simultaneously yield the holding gains that are only obtained when it is sold. Hence, among other things, the (intended) real rates of return cited by Lex that are calculated by the Bank of England seriously overstate the true real rate of return on capital.

(Professor) G. H. Lawson.
Manchester Business School.
Booth Street West, Manchester.

The Budget and the nation

From Mr. A. MacGregor.

Sir,—Mr. Baker White (June 26) complains of those who are moaning after the Budget with realism akin to a business which blames the public for its failure. There is no "new disease," the Budget has been reviewed by those "wiser than our leaders" and found to be wanting. The only problem with this country is that our control system has not adapted to the modern world; those who blame the people do not accept the principles of a free market.

The average businessman is perhaps faced with a 10 per cent increase in disposable income to pay the projected 17 per cent personal inflation. Stronger sterling, apart from increasing his cost of money, increases his prices in shrinking lower priced export markets, while it reduces import prices to increase competition on his shrinking domestic market. Both holders of foreign and sterling currency are marginally discouraged from purchasing goods and services here. In addition to those factors the businessman is threatened with increased industrial action and inflation as wage earners strive to restore former parity, protect jobs and to compensate for increased inflation; small wonder he has little time to shout for joy.

The courageous Budget, police and medics aside, would have been the one we could best afford, that "gave" nothing to anyone, except the promise of *increased disposable income to* those who increased their production of wealth—payment for results from results. The major long-term solution to control domestic inflation is to minimise the transfers of wealth between classes of people, this the Budget fails to do, and what it does transfer is not in the best national direction. The only solution to externally caused inflation is to increase national productivity in terms of goods and services that we can sell for less but more expensive pounds, to pay for the increased prices demanded by other nations.

The Budget transfers wealth mostly to the high income sector, regardless of national function, however it gives the most incentive to those who are self employed, paid by personal results, in cash, by time or as a fixed percentage of turnover. The wealth that the Budget will cost in terms of internal inflation and lost productivity will not get invested in direct incentive for wealth production. The resulting shorter term losses of wealth will therefore almost certainly exceed the theoretical long-term *gains, which are very theoretical* indeed.

If the concepts of the free market and free enterprise produce better results, then why are they not more generally accepted and voted for? One can not blame the people or their "stupidity," because the free market has to be judged by its own rule: "The most democratic of all methods: by the lowly, individual, sovereign customer." The present budget policy will not reverse our decline for the very simple reason that the country will continue to lose wealth faster than the cosmetic *changes can benefit from the* market forces. The sad irony is that it is the "beams in the eyes" of many of those who align to the political Right who hold the country back from the benefits of such market forces, and not just the rank and file: those that disagree, also disagree with the fundamental principles they profess to believe in, which is understandable as they act in their own self interest. The Budget does little to motivate people to increase the wealth of the nation in their own self interests.

A. T. MacGregor.
6, Kildare Court
Kildare Terrace, W.C.

Infrastructure Strategy Board

From the President.
The British Transport Officers' Guild

Sir, — "Men and Matters" (June 28) reported that the Swedish Government had decided to scrap "a sixteen-year-old policy of making the state railways pay for themselves," a decision which would no doubt give rise to much heated discussion in this country.

Your reporter went on to note, however, that "Britain is lagging far behind its European neighbours — notably France and Germany in investing in new railway rolling stock." How much railway investment has been depressed over the years because civil servants have a more direct responsibility for trunk roads than they have for railways is open to conjecture, but clearly the energy situation is necessitating a fundamental reappraisal of the country's approach to these matters that are of vital importance. In this *connection it is interesting to* note that the Institution of Civil Engineers is preparing to ask the Government to give early consideration to setting up an "Infrastructure Strategy Board." Long experience has led the ICE to the conviction that this country's advisory and decision-making arrangements on infrastructure developments—such as transport, energy, water and sewerage, land drainage, coastal protection and heavy manufacturing industry—are now "patently defective" primarily because the project lead times are longer than the life of a particular Government and no permanent advisory arrangements wider than individual Whitehall departments exist.

The Guild supports the view of the ICE. Something on those lines needs to be established if our basic services are to be revitalised in a logical, coordinated way using some of our North Sea oil revenue in a manner which will have lasting benefits to the community.

M. H. Williams.
Room 307, West Side Offices.
Kings Cross Station, N1.

Renewable energy

From Dr. P. Musgrove

Sir,—On June 27 you headlined the expectation of Government approval for the 1,300 MW Heysham B nuclear power station, to cost about £650m. The next day you reported that approval had been given, and the cost was stated to be about £900m, an increase of 38 per cent that surely cannot be blamed on the Organisation of Petroleum Exporting Countries. At either price the proposed new power station would seem a good buy by comparison with the 1,200 MW nuclear power station in Greene County, New York State, which was cancelled in the wake of the Three Mile Island incident, but would otherwise have cost an estimated $3.1bn, i.e., about £1.4bn (Financial Times report of April 6).

Like many others I am bemused by the apparent variability in *the cost of nuclear* power, and I would be much more convinced of the economic case for it if detailed cost breakdowns were published. Also, amidst the present euphoria for nuclear power, one should recall the warning, given in last year's Energy Policy Green Paper (Cmnd 7101) and reiterated on a number of occasions by Sir John Hill, that if we base an expanded nuclear programme on existing designs of thermal reactors our reserves of uranium will last little longer than our reserves of oil. We must avoid jumping out of the fat and into the fire.

Of course the fast *breeder* reactor provides a means of increasing the energy output from uranium by a factor of nearly 60, but we must recognise now that this is the only route by which nuclear power can do more than provide a very temporary palliative. Unfortunately, the economics of fast breeder reactors are extremely uncertain, and their coolant system gives cause for considerable concern. We congratulated ourselves after the Three Mile Island incident, that British gas cooled reactors were intrinsically safer than the American water cooled reactors. If we now proceed with the fast *breeder reactor we must surely* examine alternatives to the use of liquid sodium as the coolant.

When considering our energy options, may I put in a plea that we do not underestimate the role of renewable energy sources. The frequently made claim that they can make no contribution until after 2000 is demonstrably incorrect. President Carter's recently announced energy strategy envisages that by the year 2000 renewable energy sources will provide more than 20 per cent of America's energy needs—more than twice the expected contribution from nuclear power plants. And the level of funding for renewable energy R and D in the U.S. is now comparable with the level of funding for nuclear power R and D.

Britain, unfortunately, has no comparable renewable energy programme; our annual expenditure on all the renewable energy options totals only about 5 per cent of our continuing expenditure on nuclear R and D.

Offshore wind energy systems alone could provide 20 per cent of our electricity needs by the year 2000, but total funding for wind energy work in Britain since 1973 (or since 1945, the figures are little different) barely exceeds £1m. If we are to take seriously the problem of meeting our energy needs beyond the next decade of North Sea oil-based self sufficiency, we really must pursue such renewable energy options with a great deal more vigour than we have shown so far.

Dr. Peter Musgrove.
Department of Engineering,
University of Reading.
Whiteknights, Reading.

Miles per gallon

From Miss G. Sinclair

Sir,—In reply to Miss Summers-Glass (June 28) I would agree that mopeds and motor-cycles should be encouraged in the interests of fuel conservation but would dispute your correspondent's contention that such forms of transport ". . . use fuel much more efficiently than cars or taxi-cabs."

In equating consumption rates with efficiency I fear that the aspect of load is being overlooked. For instance, a diesel vehicle with four or five passengers and luggage, will move its load much more "efficiently" than most motor-cycles. Similarly, an economic four/five seater car will also be more "efficient" than all but the smallest engined two-wheeled vehicles.

It is very apparent that drivers who are financing their own motoring costs are much more conscious of overall fuel economy than those whose bills are footed by the Inland Revenue. Therefore, until their is a radical change in our tax system so that we all end up paying for our own motoring, there is no incentive for a large percentage of British motorists to pay any heed to the fuel consumption of the car they purchase or the manner in which they drive it.

Gail Sinclair.
139, Fentiman Road, SW8.

Today's Events

GENERAL

U.K.: Sir Geoffrey Howe, Chancellor of the Exchequer, attends National Economic Development Council meeting, London.

Urban Economics conference opens, Manchester University, (until July 6).

National Union of Railwaymen conference continues, Paignton.

Overseas: Lord Carrington, Foreign Secretary, and Herr Hans Dietrich Genscher, W. German Foreign Minister, visit Iraq.

PARLIAMENTARY BUSINESS

House of Commons: Finance Bill, committee stage.

COMPANY RESULTS

Final dividends: Caird (Dundee). Charter Consolidated. Colmore Investments. English Card Clothing. Humphries Holdings. Shaw Carpets. R. W. Toothill. John Waddington.

COMPANY MEETINGS

Argus Press, Stratton House, Piccadilly, W, 3. Barr and Wallace Arnold Trust, The Hotel Metropole, King Street, Leeds, 12. Cater Ryder, 1 King William Street, EC, 12.30. Fleming Property Unit Trust, The Great Eastern Hotel, Liverpool Street, EC, 12.30. Hunting Assoc. Inds., Avenfield House, 118-127 Park Lane, W, 12.30. London Trust, Connaught Rooms, Great Queen Street, WC, 12. Nationwide Leisure, The Piccadilly Hotel, Piccadilly, W, 11.30. Newman Industries, Dragonara Hotel, Bristol, 12. P. Panto, Cumberland Hotel, Eastbourne, 12. Provincial Laundries, East Arms, Henley Road, Hurley, Maidenhead, Berks., 12. J. Sainsbury, Connaught Rooms, Great Queen St., WC, 12.

IC Gas ahead to £33.8m —payment rises 82.9%

A SECOND-HALF rise from £28.1m to £32.3m lifted taxable profits of Imperial Continental Gas Association to a record £33.75m for the year ended March 31, 1979, against £31.14m. Turnover rose from £168.9m to £187.7m.

And the dividend is increased by 82.9 per cent from 9.806p to 18.088p net with a final payment of 12p. Earnings are shown as 57.29p (54.77p) per £1 share.

Calor Gas Holding Company, the group's main UK subsidiary, improved taxable profits by 20 per cent to £12.97m on turnover of £167.55m, a rise of 10.5 per cent.

The directors say the result is attributable to record gas and appliance sales during the severe winter period.

	1978-79 £000	1977-78 £000
Turnover	187.720	168.902
Trading profit	17.466	15.886
Share of assocs.	10,812	10.145
Investments inc.	5,891	5.459
Interest payable	424	347
Profits before tax	33.745	31.143
Taxation	9.305	9.043
Net profit	24.440	22.100
Minority interests	381	421
Exchange loss	257	†456
Attributable	23,802	22,135
Dividends	7,515	3.996
Retained	16,287	18,139

† Gain.

The directors state that, for the first time, accounts are a consolidation of all the subsidiaries and associates' contributions; results for the previous year are restated on a comparable basis.

The effect of full consolidation *is to bring capital employed to* £338.7m, of which fixed assets absorb £263.8m. This includes investment in associates accounts for £79.4m and investment in allied companies £71.9m. Net current assets are given as £60.5m.

Compared with these, the pre*viously reported figures, excluding* the Belgian subsidiaries, showed capital employed at £203.8m; fixed assets included of £163.1m, and net current assets at £28.6m.

Century Power and Light turnover for the year fell slightly to £2,354,000 and profits were £839,000 (£1.17m). This decline results from lower production from the Hewett gas field; increased interest charges due to the high level of exploration, and the commencement of expenditure relating to the development of the Maureen oil field, the directors explain.

Turnover in Belgium, which mainly comprises Transport Coulier Group and excludes that of associate companies, rose by 16.5 per cent to £16,733,000.

The share of profits of associates represents IC Gas's involvement in the Belgian public utility industry.

● **comment**

The market accurately estimated I.C. Gas's consolidated net earnings. But the group's figures did contain one or two surprises. Net cash jumped from £8.8m to £47.5m (£38m of which is in Belgium) and net asset backing per share rose from £4.19 to £6.61. The UK subsidiary, Calor Gas, contributed a 25 per cent better result on the back of the bleak winter. The Belgian subsidiaries had a relatively good year also but its contribution was somewhat diminished by unfavourable currency movements. The group has a heavy capital expenditure programme this year but as this will be funded by cash generated plus some borrowings shareholders will not be tapped for new funds. *The shares rose 12p* to 505p yesterday to give a stated p/e of 8.7 and a yield of 5.2 per cent from a dividend that is covered three times.

Tesco plans £200m expansion project

ABOUT £200m is to be spent by Tesco Stores (Holdings) on development projects in the three years to 1981, Mr. Leslie Porter, the chairman, reveals in his annual report.

Capital expenditure in 1978-79 totalled some £72m, including more than £6m spent on new computer facilities and £6m on warehouse developments.

In the current year the group is stepping up its capital spending to a record £80m with the bulk of the money being spent on new store openings and re*fitting existing stores*, and about £5m on the expansion of the 3 Guys business.

Mr. Porter says these developments must be seen against the background of the policy of closing uneconomic units or adapting them for more profitable uses. *A total of 113 units were closed during* the year.

Apart from benefiting by the planned move into bigger and more viable units the group has prospered from a buoyant property market which has meant, generally, sales and lettings of surplus properties at well above the February 1978 valuations, the chairman says.

The directors say that the value of the property at February 24, 1979, subject to adjustment for purchases and sales, increased by at least 15 per cent above the 1978 valuation.

It is the Board's opinion that the estimated total residual value of freehold and long leasehold properties is at least equal to current book value so that no additional depreciation has been provided in the accounts.

For the year ended February 24, 1979, profits before tax increased from £28.56m to £37.64m. Profit on a CCA basis cut to £32.1m after additional depreciation of £4.1m, cost of sales, £8m less £6.5m monetary working capital and gearing £1.6m.

The balance sheet shows that while stocks rose from £121.08m to £136.6m, creditors and accrued expenses stood at *£152.63m* against £108.7m.

To restore the margin of unissued share capital, the board is recommending that the authorised share capital be increased from £17.5m to £20m by creating 50m additional 5p shares. This will result in 65.2m shares (16.3 per cent of the increased share capital) being available for issue.

Mr. Porter says that he *believes that the Operation* Checkout policy of low prices combined with every possible improvement in service and customer facilities, "will stand us in good stead in the testing years ahead. The retail scene is changing rapidly and we believe we are keeping *one step* ahead."

Meeting, Connaught Rooms, WC, July 27 at noon.

See Lex

EMBANKMENT TST.

Embankment Trust is to put proposals to holders of its 5½ per cent debenture stock 1985-1990 for the repayment of the stock at £90 per £100 nominal. Accrued interest, less tax, will be paid to repayment date.

SGB tops £6m at six months

WITH TURNOVER ahead 31 per cent to £55.94m, taxable profits of SGB Group, the construction *plant and services concern*, advanced by 38 per cent from £4.43m to £6.12m for the half year to end March, 1979.

The improvement in the results was once again achieved by the group's UK activities and the directors say this trend con*tinues, promising a good* performance for the full year.

In the last full year, the company earned a record £10.69m pre-tax profit on a turnover of £93.8m.

Total tax for the first half was £1.21m (£0.71m) and after *minorities, available profits* increased from £3.48m to £4.81m. Comparatives have been amended to reflect the group's change in accounting for deferred tax.

Earnings per 25p share are stated up from 16p to 21.8p basic, and from 15p to 20.7p fully diluted. The net interim dividend is raised to 3.15p (2.75p), costing £698,000 (£598,000)—last year's total was 6.3p.

Profits included interest and dividends amounting to £64,000 (£26,000), but were struck after higher interest charges of £1.25m compared with £727,000.

● **comment**

Although Cornwall and Scotland posed problems for SGB Group last January it has managed to post a substantially better profit at the half way mark. The scaffolding side, which contributes roughly 50 per cent of the overall result, went ahead well while the hire shops doubled profits to lift their contribution to around 10 per cent. The other UK operations—the mechanical plant group and Youngmans also reported improved performances. On the overseas side, exports were up and the European subsidiaries gained ground. The Australian and South African figures were hit by currency realignments but the biggest factor in the overseas division was the decision to make provisions totalling £500,000 for slow moving stock in the Gulf. The shares jumped 15p to 255p. With a pre-tax figure of around £14m possible for the full year the prospective p/e is 8.8.

Sotheby's surges to £4.32m at midterm

TAXABLE earnings of Sotheby Parke Bernet Group jumped from £2.44m to £4.32m in the six months to end-February 1979. Net auction sales of the fine art auctioneer advanced from £66.3m to £91.3m, after rising 38 per cent to £71.75m at the four-month stage.

But the group says the half-year results are not necessarily indicative of the full year. Last year pre-tax earnings rose from £4.87m to £7.02m.

The directors say that while they are satisfied that net auction sales for this year will be ahead they expect the rate of earnings increase for the full year to be considerably lower than that of the first six months.

The interim dividend is raised from 3p to 3.5p net per 25p share. Last year's total was 9p.

● **comment**

The Sotheby's share price rose 10p to 355p yesterday despite the group's warnings that first half earnings growth will not be maintained for the full year. Pre-tax profits have increased about twice as fast as sales and revenue but, with high fixed costs to support, a slow summer would erode margins. The second half will not benefit from a sale on the Robert von Hirsch scale but the imposition of a buyer's premium in the U.S., should provide some compensation.

The average value per lot has risen significantly over the past year and the contribution of *overseas sales continues to improve*—with the North American property business now operating much more profitably. The interim dividend is covered over five times, which leaves plenty of scope for a generous final payment. Assuming attributable earnings for the year of £4.2m, the prospective p/e of around nine may look modest but, like Christie's, the group is under the shadow of legal action by dealers over the buyer's premium and no contingency for this has been made.

Henderson-Kenton up 45% to £2m and optimistic

WITH FURTHER improvement in the second half compared with a buoyant period in the previous year, **Henderson-Kenton**, the retail furnishing group, expanded pre-tax profits by 45.1 per cent from £1.43m to a record £2.07m for the year ended March 31, 1979. Turnover was 17.5 per cent higher at £26.43m.

At half-time, when profits were up from £252,000 to £607,000, the directors were confident that the full year results would show a satisfactory increase over 1977-78.

Mr. David Hyman, the chairman, now says that sales in the first two months of the current year were well up on last year, and the pre-VAT increase boom in June provided the company with an exceptional rise in turnover.

The overall effect of the VAT increase is expected to be negated by the October tax rebates, and the company looks forward to a good pre-Christmas selling period.

A net final dividend of 2p lifts the total dividend by 22 per cent from 2.453p to 3p per share. This, together with last July's new preference dividend, would provide a 104 per cent total increase over the previous year. Stated earnings *per 20p share are 20.5p (13.1p) or* 21.4p applying the preference dividend relating only to the period from July 27, 1978, to March 31, 1979.

Following a transfer of £998,000 (£681,000), the reserve for unrealised profits which will *mature in future years, now stands at* £4.4m (£3.4m) equivalent to about 60p per share.

Bank and loan interest took £460,000 (£365,000) and there was an exceptional profit last time of £102,000. After the transfer to reserve, and tax of £614,000 (£585,000), attributable surplus increased from £841,000 to £1.46m. Retained balance emerged at £1.12m against £688,000.

At balance date, fixed assets were £4.07m (£3.89m) and net current assets were up by £2m to £8.55m. Shareholders' equity reached £6.14m compared with £4.98m.

● **comment**

Having roots in Scotland did not help Henderson-Kenton this winter. In common with the whole retailing sector, weather and labour unrest *took their toll* but the 14 stores *north of the* border were particularly hit. So the 49 per cent rise in overall trading profits, or 45 per cent pre-tax, looks reasonable enough bearing in mind that another £½m or so might have been achieved pre-tax without the final quarter's particular problems. But that is now history. The first quarter of 1979-80 got off to a sparkling start. There was obviously some pent-up demand and added spice of "beat the 15 per cent VAT" buying. In three weeks H-K achieved £3½m of sales—way ahead of what could be normally expected. No doubt this will be followed by a cooling off period but the tax rebates are expected to give sales another fillip. At 110p the p/e of 5 and yield of 4 per cent provide reasonable scope for buying taking into account the good management, bid potential and underlying assets. These are mainly long-term considerations but meantime shareholders might expect some action on the dividend front with the next set of figures.

HIGHLIGHTS

British Steel has once again produced large losses and Lex looks at the annual report to see how a financial restructuring could take the corporation part of the way to its target of eliminating the deficit. Lex also comments on the Babcock and Wilcox move into the U.S. die casting industry and at a proposed deal whereby Anglo American could ultimately take a one-fifth stake in Bath and Portland. Finally Lex looks at the Tesco annual report which shows how the supermarket is still generating cash. Elsewhere, SGB has posted substantially better half-time profits despite the ravages of the winter weather. The market was on target with its estimates for IC Gas, but even so the figures contain a few surprises, and LMI has progressed despite dull trading conditions. Other companies that come in for comment are George Bassett, Brengreen, Associated Fisheries and Henderson-Kenton.

Brengreen beats forecast with £0.31m: dividend raised

PROFITS before tax and loan stock interest of Brengreen (Holdings) amounted to £313,000 in the year ended March 31, 1979, exceeding by 11.4 per cent the profit forecast of not less than £280,000 made at the time of the reverse takeover.

The directors of the group, formerly Empress Services (Holdings), are recommending a final dividend of 0.15p making a total of 0.25p for the year. A final of at least 0.1p had been anticipated.

Mr. David Evans, chairman, says the increase in the final has been restricted to build up revenue reserves and he is confident that the Board will be able to pay an increased dividend next year.

Turnover for the year was £11.65m. Profit is struck before pre-acquisition *profits* of £25,000, loan interest, £23,000 and tax of £134,000.

There are also extraordinary items of £35,000.

The chairman says rationalis*ing the operations of the* enlarged group is almost complete. It is intended to expand and develop through internal growth and acquisitions and two further acquisitions are expected to be completed soon.

● **comment**

So far so good at Brengreen (Holdings). Year on year comparisons are misleading but November's profit forecast has been comfortably exceeded. More importantly, the successful merger of industrial and commercial cleaning operations appears to have been accomplished ahead of schedule. Further consolidation is planned for the current year which the Board confidently expects to yield pre-tax profits of more than £400,000. The big test, however, will really come in 1980-81. Contract cleaning may be a highly fragmented sector but there is considerable scope for larger groups to expand and Brengreen is aiming to pick up major customers. It is also talking about local authority work and clearly fancies its chances of breaking into street cleaning and refuse collection. In the meantime group reserves will have to be bolstered and a few remaining problems at Empress tidied up. At 19½p the shares already command a high rating: the p/e is 17.6 and the historic yield a meagre 1.8 per cent.

Second half loss leaves Geo. Bassett £1.5m off

A SECOND-HALF loss of £175,000 has left taxable profits of Geo. Bassett Holdings well down at £1.33m for the year ended March 31, 1979, against a previous £2.81m. Sales rose from £47.7m to £63.2m.

At halfway, profits were just behind at £1.51m (£1.72m) but the directors were confident that the cumulative effect of group restructuring and the increasing performance of recent acquisitions would begin to be evident towards the year-end.

Earnings are shown as 10.59p (18.56p) per 25p share and the dividend is stepped up to 6.54123p (5.73148p) net with a final of 4.9751p.

● **comment**

George Basset's second half has not matched up to the company's optimistic forecast at the halfway stage. Instead of an improvement, the company slipped into the red to the tune of £0.18m. To be fair, much of this was due to the unforeseeable effects of the bad weather and lorry driver's strike, but the company had hoped to improve overseas profitability. Evidently, there has not been enough time to make the necessary changes and confectionery profits slumped by 58 per cent for the year. Elsewhere, trading and leisure profits jumped by two-thirds thanks mainly to the new acquisitions but their cost more than doubled the interest charge. In the current year, the company will have to preoccupy itself with improving overseas margins. Among other moves, Bassett is changing its overseas invoicing policies and renegotiating some of its unexpired contracts. It is also raising its prices at the risk of losing volume. The shares fell 6p to 114p where the *historic* p/e is over 10 or around 25 fully taxed and the yield is 8.7 per cent. The shares look vulnerable.

M & S dividend policy

Marks and Spencer will take into account "restrictions in the past" when deciding how to reward shareholders for the current year, Sir Marcus Sieff the chairman said at yesterday's annual meeting.

Sir Marcus refused to be drawn on the likely *level of this* year's interim and reminded shareholders that last year's final was subject to the previous Government's controls.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Geo. Bassett	4.98	Aug. 31	4.33	6.54	5.73
Bath and Portland int.	*1.6*	*Aug. 17*	*1.6*	—	3.61
Brengreen	0.15‡	Oct.	—	0.25	—
Henderson-Kenton	2	Oct. 1	1.45	3	2.45
IC Gas	12	Aug. 24	5.81	18.09	9.81
Lincroft Kilgour ...int.	1.75	Sept. 12	1.5	—	3.87
LMT	5.1†§	—	2.91	7.75§	4.81
A. Monk	2.51	Aug. 29	2.51	3.51	3.51
Rexmore	3.45	Sept. 4	3	4.85	4.25
Ropner	*2.01*	*Aug. 17*	*1.07*	*3.2*	*2.13*
SGB ...int.	3.15	—	2.75	—	6.3
Sotheby ...int.	3.5	Aug. 31	3	—	9
Winterbottom ...int.	2.3	Aug. 11	2	—	5.6

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Final of 0.1p was forecast at time of reorganisation. § Including 1p special dividend.

AF back to profit midway: fishing losses cut by £1.6m

WITH losses in the fishing operations cut from £1.85m to £269,000, Associated Fisheries turned in a taxable profit of £729,000 in the half-year to March 31, 1979, compared with a £1.35m loss last time. In the last full year, there was a pre-tax loss of £2.88m.

The directors say the half-year produced an improvement throughout the group. Transport and warehousing made a profit of £57,000, against a £51,000 loss. Profits improved in food processing and trading and cold storage, while engineering results were unchanged.

Turnover was lower at £35.11m (£39.6m). Tax took £370,000, against a £566,000 credit. Stated earnings are 2.05p, compared with a 3.13p loss.

The directors say the results indicate an encouraging trend but the uncertain future of the fishing industry continues to overshadow the profitability of the company's major trawling subsidiaries. And it is too early to make a reliable forecast for the full year.

There is no interim dividend, but the Board will consider the possibility of a modest distribution before the end of the calendar year.

Inadequate access to economic fishing grounds continues to present problems for British United Trawlers. And, in the absence of a Common fisheries policy within the EEC, there is no acceptable alternative in the short-term but to reduce the fleet and undertake more selective fishing voyages, at the cost of keeping many vessels tied up and incurring further redundancies, the directors say.

Since September, 15 vessels have been sold, bringing BUT's remaining UK fleet down to 65 ships. During the same period the freezer fleet spent 31 per cent fewer days at sea and substantial cost reductions were made.

Further economies are in hand, including additional vessel disposals. As a move towards realigning BUT's fishing capability, it is proposed to equip five freezer trawlers for mackerel fishing at an estimated cost of £550,000. The White Fish Authority has been approached for a grant towards this.

Near-water fishing prospects remain favourable and the directors envisage increased participation in further partnerships through Caley Fisheries Group. While the management will continue, the ownership of the Caley Group will revert to Associated Fisheries.

This decision has been taken primarily to offset the effect of the Australian venture losses upon the liquidity of British United Trawlers, and to increase the parent company's equity interest in this area.

The directors say that for some years every effort has been made to improve the trading results of the London Cold Store at Nine Elms, but, with the prospect of continuing losses, the decision has now had to be taken to close down this operation.

● comment

Although the first half results reflect an encouraging trend, Associated Fisheries is no nearer a solution to its basic problem; it does not have access to economic fishing grounds because of the lack of a common fisheries policy. As a result all AF can do is take defensive measures. At the moment about 30 ships are laid up out of a total fleet of 68. The company is slowly reducing the size of its fleet and only making selective voyages. Also, it is planning to equip and convert five vessels to mackerel fishing but clearly all these measures are mere palliatives. The outlook continues black until such times as the politicians can come up with a fisheries agreement. The company is capitalised at £7.6m on last night's share price of 43p.

Rexmore well ahead at £1.48m

FROM increased turnover of £38.25m against £31.34m, profits before tax of Rexmore rose to £1.48m in the year ended March 31, 1979 compared with £933,204 previously.

And the directors are confident that there will be an improvement in turnover and profits for the current year.

Earnings per 25p share are stated as 17.28p against 9.95p and the final dividend is 3.452p lifting the total from 4.25p to 4.847p. A one-for-10 scrip issue is also proposed and it is expected that the level of dividend payment will be at least maintained for 1979-80.

There is a tax credit for the year of £48,785 (£50,651 charge) and extraordinary debits of £226,721 against £305,132.

Rexmore is a Liverpool-based group with interests in upholstery, bedding, furnishing, trimming, dyeing and finishing and household textiles.

Lincroft Kilgour £0.16m downturn in first half

THE lorry drivers' strike, bad weather and continued strength of sterling have cut back profits of Lincroft Kilgour Group and for the half year ended March 31, 1979, taxable surplus was down from £424,246 to £261,259.

Mr. Anthony Holland, chairman, says that while some of the lost ground caused by the strike and weather has now been recovered, the increasing strength of sterling is giving cause for concern and is making trading more difficult, particularly in the export market.

"In these circumstances it is not realistic for me to make any forecast as to the final outcome for the year."

Trading profit for the first half £347,229 (£462,589) was subject to consolidation exchange losses, higher at £85,970 compared with £38,343.

Turnover rose from £6.5m to £7.1m.

Tax charge for the period was £114,586 (£166,532) leaving a net profit of £146,673 (£257,714).

Earnings per 10p share are down from 5.27p to 2.93p and the net interim dividend is 1.75p (1.5p) absorbing £83,859 (£71,879)—last year's final payment was 2.385p from profits of £875,000 (£1.04m).

The amount retained was £56,423 (£180,820).

The group is involved in cloth merchanting and menswear manufacture.

S. African stake in Bath and Portland

Bath and Portland Group yesterday unveiled interim figures which showed a two-thirds decline in taxable profits, and announced that Anglo-American Corporation is to take a 5 per cent stake with an option to increase this to 21 per cent by 1981.

In return for the stake, LTA, a South African construction company 60 per cent-owned by Anglo American, will guarantee a £3m bank loan facility for Bath and Portland. The deal still requires shareholders' approval.

LTA will subscribe for 800,000 new shares in Bath and Portland at 75p per share compared with a market price of 50p—amounting to 5.02 per cent of the enlarged equity—and will be entitled to take up a minimum of £750,000 of shares each year until 1981.

Bath and Portland intends to apply the proceeds of the issue, mainly by way of the immediate loan facility, to its non-contracting activities. It says that its association with LTA is expected to provide "opportunities in selected territories," as well as possible joint ventures in major contracts.

Meanwhile, principally due to the cessation of work on its major road contract in Iran, pre-tax profits slumped from £2.05m to £623,000 for the six months to April 30, 1979, on reduced turnover of £36.5m against £37.41m. For the whole of 1979 the contract, its works and its plant have been on a care and maintenance basis.

No profit has ben taken in the half year in respect of the group's Iran activities and Sir Kenneth Selby, the chairman, says this position will be reviewed at the year end. Pending this, the cost of interest and other charges that have been incurred in the period, during most of which, work has been shut down, have been placed against the provision which was set up for the purpose.

These costs will themselves form part of claims eventually to be lodged against the client, Sir Kenneth states.

Officials from the Ministry of Roads and Transportation in Iran have asked the group to restart work on the contract and have informed it that overdue payments will be brought up to date and that the official indices, which operate the price escalation clause, will be issued shortly.

Accordingly, the group has put in hand a phased remobilisation of the supervision and workforce and some sections of the work have recommenced.

Half-yearly net earnings per 25p share decreased from 6.42p to 1.88p, while the interim dividend is kept at 1.6p net—last year's final was 2.014p on record £5.18m pre-tax profits.

A divisional breakdown of sales and profit (in £000's) shows:— minerals £7,001 (£6,043) and £666 (£655); building and civil engineering £15,090 (£18,664) and £96 loss (£1,155 profit); agricultural £7,610 (£7,116) and £134 (£326); engineering £5,558 (£4,502) and £228 (£223), and chemicals £1,236 (£1,087) and £23 (£63 loss).

The group's UK-based activities had to contend with bad weather and the haulage strike during the period. Nevertheless, minerals showed a modest advance and agriculture would have shown better results had the late spring sales fallen into the first half.

Engineering improved its turnover, but at lesser profit margins, while chemicals showed some improvement in its busiest trading half.

Building and civil engineering in the UK had a poor half year, although certain sections were more profitable than forecast.

For the rest of the year, the directors expect continued advances in minerals and engineering and some improvement in agriculture. Building and civil engineering operations have a respectable work load and a better performance is anticipated through the summer and autumn.

See Lex

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals: Caird (Dundee), Charter Consolidated, Colmore Investments, English Card Clothing, Humphries Holdings, Lendu Rubber Estates, Rembia Rubber, Shaw Carpets, John Waddington.

FUTURE DATES

Interims—	
Alexanders Discount	July 16
General Consolidated Inv. Tst.	July 11
Tube Investments	Aug. 15
Finals—	
Bulmer (H. P.)	July 11
Graig Shipping	July 9
Hollas	July 11
Hollis Bros. and E S A	July 19
Moorgate Investment	July 11
Thorn Electrical	July 13
Wigfall (Henry)	July 10

Companies and Markets

UK COMPANY NEWS

● NEWS ANALYSIS—BABCOCK/KEELER

New U.S. drive

BY JOHN MOORE

THE $72m purchase of Keeler Corporation of the U.S. by Babcock and Wilcox, the engineering group, marks another important step in the Babcock's exploitation of the *U.S. market.*

In the last 10 years the group's progressive diversification into product lines unrelated to the boilermaking industry, with which Babcock's name has been historically linked, and into new *territories—particularly in the* U.S.—has had a significant impact on its trading mix and performance.

In 1974, turnover in North America accounted for about 1.6 per cent of group turnover of £248.2m, and the amount of investment was similarly small.

According to the 1978 accounts, Babcock employs about 30 per cent of its total funds in North America, which generate about 21 per cent of the total group turnover of £777.7m, and nearly a third of the trading profit of £39.7m.

The latest acquisition of Keeler Corporation will add £66m to North American turnover, an increase of two-fifths and yesterday's deal will add a second major leg to Babcock International Inc, the hub of the North American operations.

Babcock began its expansion into the U.S. market in earnest in 1975 when it acquired American Chain and Cable, a Connecticut-based company engaged in materials handling equipment, processed control recorders and abrasive cutters for industry, in a deal worth £87.5m. This was purchased largely with the proceeds from its sale of its 25.02 *per cent stake in Deutsche* Babcock to the Iranian government.

Babcock wanted to build up overseas activities, particularly outside the heavy boiler area of engineering activities. And it decided to major on the U.S. as the biggest single market for engineering products.

Growth came quickly from American Chain and Cable (now named ACCO). In its first full year of operation in 1976 American Chain and Cable contributed half of group profits. Its profits rose by 84 per cent while the UK side was sluggish.

The Keeler deal is intended to balance the American Chain operations by adding a concern which has more involvement in the consumer market.

Keeler has an over 60 per cent market share in the decorative furniture hardware market (handles, castors, etc.).

It is a non-unionised organisation. This appeals greatly to the Babcock management which has been attracted to the U.S. market partly because it likes red-blooded capitalism.

Keeler is also an important supplier to the U.S. motor industry of exterior and interior automotive hardware and trim, produced from lightweight materials. This aspect of its business contributed $87m of its $146m turnover in the last financial year.

Keeler's taxable profits in its last finncial year to January 27 were $10.4m. Its last balance sheet showed net tangible assets of $47.5m.

Although it is one of the largest independent die casters of zinc products in the U.S., Keeler has remained a private company. *It is based mainly in the Grand* Rapids of Michigan U.S. and employees 3,500.

Its continuing development of the U.S. market underlines the thinking behind the group's plans to change its name to Babcock International next September.

Shell UK first quarter loss not as bad as expected

BY SUE CAMERON, CHEMICALS CORRESPONDENT

SHELL CHEMICALS UK made a net loss of £2.8m in the first quarter of this year but yesterday the company said this result *was "significantly better* than had been forecast."

It compares with a loss of over £6m in the final quarter of 1978 and covers the period of the road haulage strike. Shell Chemicals said its sales were 60 per cent down on the normal monthly average in January this year as a direct result of the haulage strike. But this was "largely compensated for by better than average sales in February and March."

Sales volume for the first quarter of 1979 was 8.5 per cent down on the fourth quarter of last year but was almost in line with the overall level of sales for the whole of 1978. Sales value for the first three months of 1979 was 7 per cent up on the previous quarter.

Shell Chemicals said this reflected an improvement in prices both at home and in export markets but added that the increase in sales value was "largely absorbed by the escalating costs of feedstocks and fuel and rising costs generally."

Yearlings fall to $12\frac{1}{8}$

The coupon rate on this week's batch of local authority yearling bonds has dropped from $12\frac{3}{8}$ per cent to $12\frac{1}{8}$ per cent. Issued at par, they are due on July 9, 1980.

The issues are: Western Isles Islands Council (£0.5m), Bracknell District Council (£0.5m), Shepway District Council (£0.5m), Wakefield Metropolitan District Council (£0.5m), City of Glasgow District Council (£1.5m), Greater London Council (£2.5m), Borough of Bournemouth (£0.5m), London Borough of Croydon (£1m), Stevenage District Council (£1.5m), City of Bristol (£1.5m), Great Yarmouth Borough Council (£0.25m), Cynor Dosbarth Dwyfor (£0.25m), Wimbourne District Council (£0.25m), Halton Borough Council (£0.5m), West Derbyshire District Council (£0.5m) and Aberconwy District Council (£0.5m).

Winterbottom Trust rises to £266,000

PRE-TAX REVENUE of Winterbottom Trust rose from £218,627 to £266,296 in the half-year to May 31, 1979, after higher interest of £144,925, against £72,967.

After tax of £90,692 (£57,830), earnings per 25p share are shown 37 per cent higher at 3.44p (2.51p)—the directors expect the scale of the full-year rise to be slightly less than this. Net asset value, after deducting prior charges at par, is given at 276p (270.2p).

The net interim dividend is stepped up from 2p to 2.3p—last year's total was 5.6p on taxable revenue of £473,894.

Belgrave (Blackheath) sees recovery

Belgrave (Blackheath) hoped to break even by the half year with the help of an improved order inflow over the last three to four weeks, Mr. C. H. Pittaway, chairman, told shareholders at the annual meeting. Furthermore, the company hoped to return to profits in the second half.

Mr. Pittaway also announced a group reorganisation whereby the present manufacturing activity would be transferred to a new wholly owned subsidiary, Belgrave Engineering, and Belgrave (Blackheath) would be converted into a group holding company. A new board of directors would be formed for Belgrave Engineering.

Ropner earns and pays more

SECOND-HALF profits of £1.14m against £0.99m pushed the pre-tax total of Ropner Holdings ahead from £2.37m to £2.85m for the year ended March 31, 1979. Turnover of the shipowning, insurance broking and engineering group, was £3.25m higher at £15.76m.

When announcing midway surplus up from £1.38m to £1.71m, the directors forecast that second-half profits would not equal those then reported. Although the full year figure was expected to show a significant increase over the previous year.

From yearly earnings per 25p share of 9p (7.4p), the net dividend total is stepped up from 2.1306p to 3.1959p, with a 2.0063p final.

LMI tops forecast with 7.75p payment

AFTER MAKING record profits in the year to March 31, 1979 London and Midland Industrials is hoisting its dividend above the *rights issue forecast to a net total* of 7.75p.

The year's taxable surplus rose from £1.91m to £2.13m on sales ahead from £18.5m to £20.4m. At the time of last year's rights issue and at midway the Board *said it would be paying a final* dividend of 4.1p to lift the total from 4.8077p to 6.75p.

In view of the profits, the directors are now recommending a special, additional dividend of 1p to take the total to 7.75p.

The group is looking for further growth this year, and its strong balance sheet gives it a sound basis for further expansion, says the Board.

After tax of £814,000 (£783,000) the net profit comes out at £1.32m, against £1.12m. An extraordinary credit this time of £2.06m (£3,000 debit) boosts the attributable surplus to £3.38m (£1.12m).

The credit follows the offer earlier this year for Caledonian Holdings. Eventually the Board decided that it was in the shareholders' best interests to accept an offer of an immediate cash settlement for the shares originally acquired.

The directors add that with large cash flow from these profits and the rights issue, assets per share have been greatly increased.

Earnings per 25p share are up from an adjusted 15p to 15.3p.

● comment

Against a background of dull trading conditions in the engineering sector, adverse weather conditions and the lorry driver's strike, LMI has turned in profits just over a tenth higher for the year. At the trading level, engineering profits slipped slightly, due mainly to a downturn in activity in the fasteners business. This shortfall was more than offset by a near one-fifth jump in profits by the smaller consumer division, led mainly by the anti-corrosion products of Cadulac Chemicals, which are selling well in the motoring industry. However, the main feature of the results is the non-trading item connected with the unsuccessful bid for Caledonian. After selling the stake, there is a net profit of £2.3m, reduced to £2m after the *closure costs of Ballard,* which has been taken in below the line. This leaves LMI with roughly £8m cash in hand and enough teeth for a sizeable acquisition when the right opportunity comes up: At 118p, the shares sell on a p/e of 7.4 while the extra dividend payment lifts the yield to a solid 9.8 per cent.

BRITISH DREDGING

British Dredging Company, Cardiff-based concern with interests in construction, engineering and dry dock services, has delayed publication of its *1978 results. This is pending* certain negotiations which would be relevant to the accounts for that year.

A. Monk ends on target with advance to £3.5m

ON TURNOVER ahead £6m at £72m taxable profits of A. Monk and Co., civil engineering and building contractors, advanced from £2.73m to £3.48m, which was in line with the forecast.

At midway the Board said that taxable profits for the year were unlikely to significantly exceed £3m. The surplus then stood at £1.26m, compared with £967,000 which was struck after providing £1m against trading debt due from the Nigerian subsidiary.

The directors now say that work in hand in the UK is at a satisfactory level and normal profit margins are anticipated in the current year.

The year-end pre-tax profits were after exceptional items of £417,000, against £1.71m, which was provision against a trading debt with the Nigerian offshoot.

Tax takes £2.13m (£1.43m) and minorities £103,000 against £108,000. *But an extraordinary* debit of £3.39m this time leaves a loss of £2.53m which is covered by a transfer from reserves. Last year the retained figure was £799,000.

The extraordinary debit comprises provision against guarantee for the Nigerian subsidiary overdraft of £2.35m, consideration for and net deficit at acquisition of DMJ and associated companies written off £1.02m, and *premium on* redemption of 3.85 per cent redeemable cumulative preference shares of £16,000.

A final net dividend of 2.5085p per 25p share pegs the total at 3.5085p.

BIDS AND DEALS

Ibstock Johnsen buys Glen-Gery for £9.6m

Ibstock Johnsen, the specialist brick producer, is to make its second U.S. acquisition within a year and plans to ask shareholders to fund half the $21m (£9.6m) purchase price.

The group announces that it has exchanged contracts to buy 58 per cent of Glen-Gery Corporation of Pennsylvania and has mounted a bid for the remainder.

At $16 (£7.30) per share the bid values Glen-Gery at $21m (£9.6m).

Funding for the deal is to be by way of UK and Eurodollar loans and bringing finance until plans are finalised for a £5m or so rights issue in a couple of months' time.

Glen Gery, which was taken over by the controlling shareholder four years ago as a loss maker, produces high quality bricks mainly for the North Eastern States. Last year on turnover of $33m it made pre-tax profits of $4.1m compared with $945,000 the previous year and a negligible profit the year before.

Last year Ibstock made its first U.S. acquisition, the Marion Brick Corporation for $9m. During 1978 that company made profits of $2.2m although Ibstock says that its "profit potential" has improved since, largely due to increased output.

Mr. Paul Hyde-Thomson, the chairman, explained that Glen-Gery and Marion combined would control about 5 per cent of the U.S. brick market with particular dominance in the North East. (In Pennsylvania, for example, the enlarged group would supply 70 per cent of all bricks). Their range of bricks was entirely complementary, he said.

Mr. Hyde-Thomson admitted that the housing market in the U.S. was depressed at present. Housing starts are currently running at an estimated 1.6m compared with 2.2m a year ago, but, he claimed, the brick industry estimates a *fall of only 10 per cent* in brick demand.

The acquisition of Glen-Gery is intended to provide a broader base for a major long term marketing drive. At present, with Marion's limited range Ibstock is losing orders and is stockpiling a proportion of output. With Glen-Gery the group would be able to offer a full range.

For the group as a whole the chairman said he was looking forward to a stronger second half after a "rotten" first quarter followed by a sharp recovery in the second. The downturn in the first half could not, however, expect to be fully made up.

Costain pays £2m for U.S. group

Costain, the international construction group which recently announced acquisition plans, has now bought Trend Construction Corporation of Oklahoma, U.S., for $4.5m (£2m).

For the past 20 years Trend has specialised in designing and installing compressor stations on gas pipelines and gas processing facilities.

In the year ended March 31, 1979, its turnover was $23m and pre-tax profits $1.03m. Costain has agreed to make further payments for the company linked to profit trends over the next five years.

Excluding Trend, Costain's U.S. business has been negligible—turnover from Canada (by far the larger contributor) and the U.S. combined has been stable at around 4 per cent of group turnover for the past five years.

MARTIN THE NEWSAGENT

Martin The Newsagent has agreed to purchase the freehold premises at Millfield, near Brentwood, Essex, from Eastern Electricity for £1.1m.

Eastern Electricity will continue to occupy some 25 per cent of the property upon short-term leases at reasonable rents.

BAMBERG TO COMPLEMENT RANKIN KUHN

Rankin Kuhn Freight, the freight forwarding company sold recently by British Petroleum to the Bamber group, is to be renamed Eagle International Freight.

Mr. Harold Bamberg, chairman of a group which has interests in air transport and insurance, said that Bamberg was also on the look out for a shipping or forwarding company to complement the Rankin Kuhn acquisition.

He would not disclose the size of the cash payment for Rankin, which has turnover of £14m a year, against total sales for the Bamberg group last year of £25m.

Rankin has made losses in recent years, but Mr. Bamberg said action had already been taken to reduce overheads. He expected the operation to be profitable within a year and to show an annual growth of at least 20 per cent.

Eagle International has 15 offices in the UK and two in Holland. It offers conventional cargo consolidation services as well as running its own trucks.

Mr. Bamberg is best known for his former company Eagle Aviation, which was responsible for air-lifting troops before that function was taken over by the Royal Air Force.

He said yesterday that Eagle International would be specialising in air freight services for the aerospace industry.

ASSOC. TOOLING

Associated Tooling Industries' subsidiary **Ascott Precision Tool Co. (Hainault)** has sold its leasehold property, stocks and the majority of its other fixed assets for a total of £250,000 cash, which showed a substantial surplus over book value.

Standard Telephones buys Daly

Standard Telephones and Cables (STC), which recently offered for sale 15m of its ordinary shares, has bought Daly (Condensers) and its subsidiary Daly (Processes), the Weymouth-based aluminium electrolytic capacitor and formed aluminium foil manufacturers.

The purchase price was £850,000 cash.

ITT components group (part of STC) will expand activities at the Weymouth plant where an 8,000 square feet factory extension is being built, and will allocate products between Weymouth and Wrexham—ITT's other electrolytic plant—to achieve best use of the combined development and manufacturing resources.

PERCY LANE

Percy Lane Group, the international manufacturer of glazed aluminium windows for the transport, caravan and building and construction industries, is expanding into the domestic replacement window market.

The group has formed a new subsidiary called Percy Lane (Home Improvements) and is planning a national network of "Planet" home improvement retail and installation centres.

The first of these opened yesterday at Uxbridge

ASSOCIATE DEALS

On June 29, J. Henry Schroder Wagg and Co. purchased 5,000 Wolseley-Hughes ordinary at 240p on behalf of associates and on July 2 purchased a further 5,000 ordinary at 240p on behalf of associates.

Silhouette suspended after approach

Takeover talks are taking place at Silhouette (London), the foundation garments and swimwear group.

The company yesterday asked for a suspension of its shares explaining that an approach had been made which may lead to a formal offer.

The "A" ordinary shares were suspended at 57p, up 7p, while the ordinary shares (which only carry the right to one vote against five for every "A" ordinary share) were suspended at 67p, putting a value on Silhouette of £2m.

Between them the directors and family appear to control about 20 per cent of the votes while five big institutional holders of "A" shares account for roughly a further 27 per cent of the votes.

In April, Silhouette reported taxable profits for 1978 ahead from £300,617 to £356,623, thanks to a lower second half deficit.

Sales for the first quarter of the current year were similar to 1978 but the directors said the pattern of trade had been badly affected by the weather.

SHARE STAKES

Change Wares—D. J. Sullivan, director, has disposed of the following shares: On March 21, 1979, at 194p 117,511 12 per convertible cumulative participating preference redeemable shares and, on March 29, 1979, at 17p 145,000 ordinary shares.

Scoteros—Solsgirth Investment Trust has purchased 10,000 old ordinary shares and 150,000 new shares (nil paid).

Sime Darby Holdings: A company in which Mr. Wee Cho Yaw, director, is deemed to be interested, has acquired 100,000 shares bringing its total holding to 740,000 shares.

S. Pearson and Son: Between April 20, 1979 and May 23, 1979 Cowdray Trust, in various dealings, disposed of 36,250 ordinary.

MY Dart: S. Marks, director, has acquired 25,000 ordinary.

Mount Charlotte Investments: S. C. Smith-Cox, chairman, has purchased 25,000 ordinary.

Johnson, Matthey and Co.: The Johannesburg Consolidated Invest Company holds 12,211,560 ordinary. Prudential Assurance Company holds 2,953,365 ordinary, and Anglo-American Corp. of South Africa holds 2,659,375 ordinary.

Halma: Morgan Grenfell Special Exempt Fund now holds 517,000 ordinary (5.01 per cent).

MINING NEWS

Rising income for 'Freddies'

BY KENNETH MARSTON, MINING EDITOR

AFTER A rather disappointing performance at the half way stage, earnings of Free State Development and Investment (Freddies) for the full year to June 30—before profit on realisation of investments—come out at a more encouraging R763,000 (£411,900) compared with R584,000 in 1977-78.

This modest-sized South African mining finance house in the **Johannesburg Consolidated** group is paying an increased final dividend of 10 cents (5.4p). It makes a total for the year of 15 cents against 12 cents for the previous 12 months.

On the latest occasion, however, the profit on realisation of investments amounts to only R91,000 compared with an above normal R308,000 in 1977-78. Latest net profits come out at R854,000 against R871,000. The market value of listed investments has risen to R12.95m, equal to 357 cents (193p) per share, from R8.86m.

● comment

● The sharp fall in share realisation profits during the past financial year stems from the pruning operation that was carried out on the investment portfolio in 1977-78. This not only threw up a larger than usual profit on realisations in that year but also resulted in less scope for portfolio changes in the latest 12 months.

The portfolio, largely in South African gold shares, now contains a larger element of dividend growth stocks such as **Unisel, Free State Saaiplaas** and **East Driefontein**. This, coupled with the continuing rise in gold dividends, is reflected in "Freddies" higher income from investments in the past year to R763,000 from R557,000.

Investment income should further increase this year, bearing in mind the time lag between higher gold prices, dividends from the producers and the receipt of the payments by "Freddies." Now yielding 6.7 per cent at 120p the shares, however, *look to be fully priced in cum-premium terms.*

ORKNEY 'NO' TO URANIUM MINING

A five-strong delegation from Orkney is going to Westminster next week to obtain the support of MPs in the island's campaign against uranium mining, reports our correspondent from Kirkwall.

They will meet Mr. Norman Lamont from the Ministry of Energy and the delegation will also lobby influential MPs. The "no uranium" campaign has been organised by the Orkney Heritage Society which is supported by the Island's Council.

The Council has refused an application to cary out test bores in Orkney with a view to possible uranium mining. A decision on prospecting for uranium in Orkney is still awaited from the Secretary of State for Scotland, following the recent official enquiry.

MINING BRIEFS

GOLD AND BASE METALS OF NIGERIA—Concentrate output in May was 25 tonnes of tin, bringing production in the first five months of the year to 127 tonnes of tin and 1 tonne of columbite, the same totals as in the comparable period of 1978.

PETALING TIN—Tin concentrate output in June was 175.66 tonnes.

NSW TIN HOPE

Several zones of tin mineralisation stretching over more than 900 metres have been located by the Endeavour Resources joint venture at the Grampians, near Emmaville, in New South Wales. So far, 40 percussion holes totalling 3,290 metres have been put down. Three diamond drills are to be moved to the Australian prospect.

Endeavour has a 20 per cent interest in the consortium, with Newmont Proprietary, the operator, holding 35 per cent, ICI Australia 35 per cent and MRA 10 per cent. Both Endeavour and MRA are on carried free interest until the other companies have spent A$500,000 (£255,700).

Mount Lyell's higher output

THE **Consolidated Gold Fields** group's marginal copper operation in Tasmania, **Mount Lyell**, reports increased production for the year to June 27. Thanks to a better—but still modest—ore grade of 1.335 per cent copper, the underground operation has turned out 77,039 tonnes of copper concentrates compared with 70,668 tonnes in the same period of 1977-78.

The content of realisable metals in the concentrates is: copper 19,405 tonnes (17,840 tonnes a year ago), gold 436,713 grammes (379,728 grammes) and silver 2.6m ounces (2.37m ounces). Considerable higher prices will have been obtained for all metals.

Earlier this year the company anticipated a return to profitability in the second half of its past financial year, thanks to production increases and better metal prices.

It warned, however, that for some time to come cash surpluses would be required to repay the A$3.37m (£1.72m) subsidies received from the Australian federal and Tasmanian governments and to meet capital expenditure.

APPOINTMENTS

New director for Building Research

Dr. Ivan Dunstan has been appointed director of the BUILDING RESEARCH ESTABLISHMENT, Department of the Environment. He will succeed Mr. James Dick who will be retiring in July.

Dr. Dunstan, who is 48, has been director of materials quality assurance in the Procurement Executive of the Ministry of Defence since 1974. He was previously deputy director of the Warren Spring Laboratory. Mr. Dick has been director of the Building Research Establishment since 1969 and was responsible for the transition from the Building Research Station to the enlarged Building Research Establishment now comprising the Building Research Station, the Fire Research Laboratory and the Princes Risborough Laboratory.

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Mr. Roger Brooke, who was appointed group managing director of EMI in April this year, has resigned from the Board of Pearson Longman, where he was deputy chairman, and from the Board of S. Pearson and Son.

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Mr. R. R. G. Gardner and Mr. A. W. Passmore have been elected to the Court of Directors of UNIVERSITY LIFE ASSURANCE SOCIETY. Mr. Gardner is managing director of Smith St. Aubyn and Co. and Mr. Passmore is investment manager of the Society and an executive director of the parent company, Equitable Life Assurance Society.

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Lord Grey of Naunton has been appointed chairman of the COMMONWEALTH DEVELOPMENT CORPORATION in succession to the late Sir Eric Griffith-Jones.

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Mr. R. M. Denny, who will become managing director of Rediffusion on August 1, has been appointed chairman of REDIFON and has also been made chairman of Broadcast Relay Service (Overseas). In both positions he succeeds the Earl De La Warr, who is relinquishing his executive appointments with the Rediffusion group at the end of July. Mr. W. S. Robertson, managing director of Redifon Telecommunications, has been appointed chairman of that company. He has also joined the Board, and been elected deputy chairman, of Redifon Computers.

★

Mr. J. F. Staal has been appointed to the Board as sales director of BESTOBELL MOBREY, a subsidiary of Bestobell. He has been with the group for eight years.

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Mr. M. C. Bolion, recently appointed chairman of B. FERTLEMAN AND SONS, is unable to take up that position on medical advice. Mr. P. G. Ayton, managing director, will become chairman until a new appointment can be made.

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Miss Rosemary Farquhar, former press officer for Birmingham Chamber of Industry and Commerce, has been appointed publications editor for AUSTIN MORRIS. She will edit the Austin Morris Express, which is distributed monthly throughout the company.

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Mr. John Cousins, at present director of manpower and industrial relations at the National Economic Development Office, joins PLESSEY TELECOMMUNICATIONS in September as director of personnel. Mr. Frank Delaney, since 1976 vice president, virtual systems development of Sperry Univac at Bluebell, Pennsylvania, will take up responsibilities later this month to develop a new subsidiary, Plessey Digital and Network Systems, of which he will become chief executive.

★

The Guthrie Corporation states that Datuk Abdullah Bin Ali has joined the Board of GUTHRIE ROPEL BERHAD. He recently retired as High Commissioner for Malaysia in London.

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Mr. David Tittle is to become chairman of Drewry and Edwards, Barralan-Leicester, and Ultimate Equipment and Mr. David James will be managing director of Drewry and Edwards from tomorrow. Mr. Ken Mullins, managing director of Reliance Hosiery (Halifax), has joined the Board of RELIANCE KNITWEAR GROUP, the parent concern.

★

Mr. Robin de Beaumont has been appointed a director of STANLEY GIBBONS ANTIQUARIAN BOOKS.

★

Mr. W. Roy Pickering has been appointed managing director of GARDNER-DENVER HOLDINGS (UK) and chairman and managing director of its subsidiaries, Padley and Venables and Bedford Steels. He was previously managing director of Hopkinsons.

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Mr. G. A. Upfill-Brown has been appointed managing director and chief executive of INTERNATIONAL PAINT — INDUSTRIAL COATINGS, and Mr. D. J. S. Shaw continues as chairman of that concern. Mr. Upfill-Brown has relinquished his positions as chairman of IP-Marine Coatings, Building Paints and Protective Coatings. Mr. T. B. Lemmon takes over as chairman of the Protective Coatings and Building Paints Divisions.

★

Dr. D. S. Belford has been appointed to the board of FOSECO MINSEP. He joined the group in 1972 and is a deputy chairman of Fosroc International.

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The Home Secretary has appointed Sir Alexander Glen as a member of the HORSERACE TOTALISATOR BOARD for a further period to September 30, 1981.

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Mr. Andrew Deacon has been appointed a non-executive director of SAGA HOLIDAYS. He was until recently an executive director of County Bank.

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Mr. David Winch has been appointed to the main board of TARMAC. He is chief executive of the building products division of the group.

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Mr. Alex R. Houseman has been appointed a director of BRITISH RAIL ENGINEERING. Mr. Houseman is deputy chairman of P-E International, chairman of W. Canning, and a director of Record Ridgway.

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Mr. Robin Ward, a partner in Resource Evaluation France, SARL, is the new president of the BRITISH CHAMBER OF COMMERCE FRANCE. The new vice-president is Mr. Jack Wicker, managing director of MATTHEWS AND GOODMAN SA. Mr. John Tuby, managing director of GASCOIGNE SA has become honorary secretary of the Chamber.

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Mr. H. M. G. Forsgate has joined JARDINE MATHESON AND CO. as a consultant and will be appointed to the boards of Gamon (Hong Kong), the Jardine Engineering Corporation, and Jardine Schindler (Far East) Holdings SA. He has retired as general manager of the Hongkong and Kowloon Wharf and Godown Company, but remains on that board.

NORTH AMERICAN NEWS

Woolworth to launch new clothing chain

By John Wyles in New York

F. W. WOOLWORTH, flushed with success from its recent battle to fend off an unwelcome $1.125bn takeover bid, is to launch a new chain of stores specialising in discount clothing and footwear.

The move will take the 100-year-old retailer still further away from its origins as a "five and dime" merchandise store chain. In recent years, Woolworth has sought faster growth and better profits by investing heavily in its Woolco chain of speciality discount stores, and the development of discount clothing is in line with this approach.

The company apparently examined the possibility of acquiring a discount retailer, but has opted instead for developing about 100 outlets of its own over the next four years. Mr. John L. Sullivan, the company's president, said yesterday that the new stores would be established on sites already leased to Woolworth and close to existing Woolco stores.

Mr. Sullivan pointed out that discount retailing of national brand name clothing was currently booming because it offered bargains without any sacrifice in quality at a time when family budgets were under pressure because of inflation.

Before Canada's Brascan launched its unsuccessful takeover bid in March, Woolworth had been trying to present an image of an aggressive company bent on profitable diversification. Since Brascan withdrew its bid at the end of May, Loew's Corporation announced its intention to buy up to 15 per cent of the retailer's stock.

Mexican steel group to expand

NEW YORK—Tubos de Acero de Mexico, the steel group, expects to report earnings of $2.51 a share for 1979, compared with $1.42 last year, according to Mr. C. T. Eugenio Perez Gil, executive president. Mr. Perez Gill said that the company will have sales of $211m in 1979, pre-tax operating profit of about $36.7m and net earnings of about $16m.

The executive said the company has to expand to meet the growing demand for tube and pipe by Petroleos Mexicanos, the Government oil company.

The company plans to make an equity offering in both the U.S. and Mexico seeking between $30m and $40m.

AP-DJ

Fed gives Bankers Trust go-ahead to widen services

BY STEWART FLEMING IN NEW YORK

THE FEDERAL Reserve Board has ruled that Bankers Trust, one of the largest New York commercial banks, can expand its operations as a dealer in the $96bn commercial paper market. The decision is likely to fuel the controversy over the range of services which commercial banks can legally offer their customers.

Bankers Trust has been the only major commercial bank to try to compete with investment bankers in the commercial paper market, and is intrusion has been bitterly resented. Before Bankers Trust opened up its operations a year ago, it had generally been assumed that the Glass-Steagall Act, which legally separates commercial from investment banking by prohibiting commercial banks from underwriting corporate securities, blocked commercial banks from becoming agents or dealers in commercial paper.

Now the Fed has ruled that the Glass-Steagall Act does not prohibit the commercial banks from operating in the market for commercial paper as agent or dealer. Bankers Trust has so far only acted as agent, issuing commercial paper for corporate customers who want to raise short-term funds in the paper market. The Fed ruling appears to clear the way for the bank to act as a dealer in commercial paper too.

Bankers Trust has entered the business in order to broaden the range of services it can offer.

The commercial paper market in New York is dominated by half a dozen investment banks who have been resisting Bankers Trust's moves.

The ruling by the Fed coincides with an even more contentious dispute between the commercial and investment banks. The commercial banks want to be permitted to underwrite municipal revenue bonds, an important and expanding business which is still the preserve of the investment bankers.

GTE looks for foreign expansion

BY OUR FINANCIAL STAFF

OBTAINING FURTHER new foreign business is a major goal for General Telephone and Electronics (GTE), according to Mr. Theodore F. Brophy, chairman and chief executive officer. South Korea and Egypt are among the countries where GTE is currently trying to win contracts.

GTE has won a contract worth some $56m in Costa Rica, Mr. Brophy added. The company's earnings, excluding the effects of foreign currency adjustments, are expected to rise this year at slightly less than the 10 per cent of the first quarter.

For fiscal year 1978, GTE made net income of $627.2m or $4.26 a share on sales revenues of $8.72bn. The company is a diversified communications and electronics concern, and operates the largest telephone network in the U.S. apart from the Bell system. Revenues this year are expected to reach $10bn, Mr. Brophy said.

GTE's telephone business should continue strong, he added. With one exception, the European entertainments products division, the company's manufacturing operations are also robust. The European section is weak mainly because of a slowdown in the West German colour television market, but an improvement is expected later this year, said Mr. Brophy.

Mr. Brophy added that GTE continues to look for suitable acquisitions, but he declined to be specific about the type.

Exxon faces fight over Reliance

BY OUR NEW YORK CORRESPONDENT

EXXON, the U.S. oil company, could be facing a fierce legal battle with the U.S. Government over its $1.2bn takeover offer for Reliance Electric.

Exxon discloses that it has been informed by the Federal Trade Commission that the FTC staff are "giving serious consideration" to recommending that the Commission seek a preliminary injunction to block the bid.

The FTC made it clear that no final decison has been taken but it has told Exxon that information it has received so far "gives rise to serious antitrust concerns." FTC officials, in evidence before Congress, have disclosed that they have been examining how easy it would be for Exxon to break into the electric motor market directly rather than through a major acquisition such as the bid for Reliance. This statement has been taken as an indication that the FTC could be preparing a case arguing that Exxon is a potential entrant into the electric motor business.

Exxon has already begun its $72 a share offer for Reliance which is due to close on July 11. Reliance's shares have been selling at only $60 each largely because of expectations that the FTC would try to block the deal.

The fact that the commission is raising the possibility of an injunction against the bid, the most aggressive action it could take, suggests that it is anxious to test the issues in court.

Bodcaw battle renewed

BY OUR NEW YORK CORRESPONDENT

THE LEADING U.S. forest products group, Weyerhaeuser, has plunged back into the battle for control of the privately-owned forest products and oil concern Bodcaw with a proposed $655m offer.

The scramble for Bodcaw began in February when Mobil, the big oil company, said that it was ready to offer $475m for Bodcaw. Subsequently, Weyerhaeuser disclosed it was an interested party and was ready to offer $610m. But in May, International Paper entered the battle and announced that it had signed an agreement to take control of Bodcaw for $610m.

Now Weyerhaeuser has said that it will pay $655m in cash through a tender offer or, if it can arrange it, through an agreed merger. If it succeeds with the offer it will sell or lease Bodcaw's oil, gas and mineral interests to Mobil while itself operating the 300,000 acres of prime pine forestland now owned by Bodcaw in Louisiana.

Amoco takes stake in Solarex

By David Lascelles in New York

STANDARD OIL of Indiana (Amoco), the sixth largest oil company in the U.S., has taken a 21 per cent shareholding in the leading U.S. manufacturer of solar electric cells, Solarex.

This diversification, made at a cost of $860,000, came after lengthy study of the solar energy field, Amoco said yesterday.

Solarex, based in Rockville, Maryland, is a fast-growing company in the electronics field, and it claims world leadership in the production of cells which transform sunlight into electricity. French and Dutch companies have already invested in Solarex on terms similar to Amoco.

This latest injection of capital will enable Solarex to build a new production plant to serve the solar energy industry, whose prospects have brightened significantly with the latest energy crisis.

Hart Schaffner earnings at record level

By Our Financial Staff

NET INCOME of clothing manufacturer and retailer Hart Schaffner and Marx for the second quarter ended May 31 rose from $3.77m or 44 cents a share to a record $4.37m or 51 cents a share, on sales ahead from $133.3m to $138.6m.

For the half year, net income was $11.17m or $1.30 a share compared with $9.63m or $1.12 a share, on sales of $309.9m against $298.9m.

The company said that the record second quarter and six-month figures were a result of retailing and manufacturing gains and higher interest income. Sales in the retail stores rose by 6.5 per cent over both periods, while sales of the manufacturing divisions rose by some 4.5 per cent in both periods.

Sales in June rose more slowly than in the first half, Hart Schaffner said, but the company is still confident that 1979 will be another good year. Earnings per share last year were $2.09.

Acme Markets to axe stores

PHILADELPHIA — Acme Markets, a subsidiary of the major food supermarket chain American Stores, is to close 45 of its 50 retail food stores in New York and Pennsylvania. Acme will also close its division office in Syracuse, its distribution centres in Syracuse and Buffalo, and its bakery in Buffalo.

Acme said that it decided to close the stores because of "a long-standing, continuing and escalating operating deficit with no hope of effecting a turnaround in the affected areas."

Reuter

Ford in deal with Cummins

By Our Financial Staff

FORD MOTOR Company has signed an interim agreement with Cummins Engine Company for the development of lightweight turbo-charged diesel engines.

The new diesel engine will be designed and developed to Ford specifications by Cummins for possible use in some Ford passenger cars and light trucks.

The turbo-charging feature will help to overcome some of the performance problems usually associated with diesel engines, and may improve their emissions characteristics, Ford said.

Corco talks in final stage

By Our Financial Staff

THE TALKS between Commonwealth Oil Refining Company (Corco) and Arabian Seaoil Corporation on the latter's proposed investment in Corco have reached a final stage and understandings have been reached on important terms.

The chairman of Corco, Mr. C. Howard Hardesty Jr., said yesterday that the company continues firm in its resolve to file a plan of arrangement with the bankruptcy court this month under which it can emerge from bankruptcy.

The company filed a voluntary petition under Chapter XI of the Bankruptcy Act on March 2, 1978.

Beneficial Corporation

Beneficial Corporation of the U.S. wishes to make it clear that they are not connected with Beneficial Finance Corporation of Australia the company concerned in the report which appeared in yesterday's Financial Times. Beneficial Corporation's subsidiary in Australia operates under the name BFC Finance.

INTERNATIONAL CAPITAL MARKETS

OPEC members step up Eurocurrency borrowing

BY JOHN EVANS

SEVERAL OPEC members are in the process of negotiating or raising syndicated Eurocurrency loans amounting in total to some $3bn.

Despite the 50 per cent rise in oil prices this year, the current negotiations for new financings by OPEC members confirm that several oil-producing countries will continue to rely extensively on the international capital markets for development purposes, according to bankers.

In latest developments, the Republic of Venezuela has nominated a group of banks led by Citicorp International Group to raise a 12-year credit which could total up to $850m. The banks have already firmly underwritten a loan of this size, although the Venezuelan authorities have yet to confirm the final amount of the financing.

The credit will be mounted on spreads ranging from ⅞ to ¾ percentage points over London interbank Eurodollar rates.

This loan is in addition to a $500m short-term credit which the State utility, Instituto Nicional de Obras Sanitarias, is already raising in the market.

Venezuela had been expected to incur a sizeable payments deficit this year, and has traditionally run a very high level of central government spending for industrial and economic development. But the latest rise in oil prices should restrain the payments shortfall to below the final figure of some $6bn expected for 1978.

Indonesia has decided to tap the Euromarkets for approximately $425m. The funds will be used to consolidate existing debt, and Morgan Guaranty Trust will assemble a group of banks to handle the financing.

Terms are not yet known. But Indonesia recently launched a successful $520m credit package in order to acquire U.S. and European civil aircraft. The Euromarket portions carried 10-year maturities at spreads of ⅞ percentage points over interbank rates.

Elsewhere, negotiations are at an advanced stage to mount a $500m borrowing for the Algerian.

Citicorp International and other banks are reportedly offering a 10-year credit to the borrower on the basis of a spread of 1¼ per cent.

Demand for sterling continues

BY FRANCIS GHILES

THE TREND set in the Eurobond markets at the beginning of this week continued yesterday. Sterling denominated bonds posted further gains on the back of a further strengthening of the UK currency against most currencies while the undertone in the Deutsche-Mark sector remained very firm. At the same time activity in the dollar sector was reported by most dealers to be at a fairly low ebb.

Continued demand for sterling bonds was reported from all dealers yesterday with evidence that investors were selectively trading lower yielding issues for more recent and higher yielding paper. The recent GEC issue moved up by about ⅜ of a point on the day to 101⅝ while the latest bond for FFI closed at 99¼, up ⅜ a point on the day. Some issues, such as the Total 9½ per cent Bonds of 1984 lost ground, closing one point down on the day at 91-2.

A $40m floater with a bullet maturity of 10 years and a minimum coupon of 5¼ per cent was announced yesterday for Genossenschaftliche Zentralbank through Credit Suisse First Boston. The borrower is paying a coupon of ¼ per cent over the medium of the bid and offered three month interbank rate.

Prices in the FRN sector were well maintained yesterday although the recent $100m issue for Nacional Financiera opened at a discount. While the lead managers were quoting it at 97⅞-8¼, elsewhere in the market it was being quoted at 97⅞-⅞. The volume of trading in this sector was described as moderate.

The Deutsche-Mark sector continues to display all the signs of strong investor demand: a DM 30m private placement for a single A rated U.S. corporation, Parker-Hannifin, has been arranged by Deutsche Bank, acting as lead manager, and Kidder Peabody, acting as co-lead. The borrower is paying a coupon of 7½ per cent for eight years with a final price of 99. This issue has been fully underwritten by the two banks and has an average life of seven years.

Meanwhile, as a result of strong demand, Deutsche Bank was able to price the 12 year bullet DM 400m issue for the World Bank at par and a half. The indicated coupon of 7¼ per cent remains unchanged.

In the secondary foreign D-Mark bond market prices were essentially unchanged while in the domestic bond market, strong demand allowed the Bundesbank to sell DM 52m worth of paper. The DM 1.6bn 10 year issue for the Federal Republic which carries a coupon of 8 per cent and a price of par was well received. It offers a yield slightly below that of the recent domestic issue for the German Railways which was launched last week.

In the dollar sector of the market most dealers reported little activity with investors continuing to trade into higher yielding issues, where such paper was available.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month.

Closing prices on July 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	99¼	99¾	+0¼	+0¼	10.08
Alex Howden XW 8½ 91	30	85⅛	86⅛	0	−1⅞	11.78
Avco O/S Cap. 10¼ 87	40	97⅞	98⅛	0	+0⅛	10.65
Bayer Int. F. XW 7¾ 89	200	84¼	84¾	0	−0⅛	9.80
CECA 9¾ 84-99	50	95⅛	96⅛	+0⅛	0	9.90
Canada 9 83	400	99⅛	99⅜	+0⅛	+0⅛	9.35
Canada 9¾ 98	350	99⅞	100⅛	+0⅛	+1⅛	9.49
Canadian Pacific 9¾ 89	50	98⅜	98⅞	0	0	9.97
Comalco Inv. E. 10¼ 91	40	99¼	99¾	0	+0¼	10.32
Dominion Bridge 10¼ 84	30	99½	100	0	+0½	10.31
Dow Chem O/S 9⅝ 94	200	98⅜	98⅞	0	−0⅛	9.79
EIB 9⅜ 98	125	†94⅜	95¼	−0⅛	−0¼	9.94
EIB 9⅝ 86	150	99⅞	100⅛	0	+0⅛	9.83
EIB 9⅞ 99	100	100⅜	101⅛	+0⅛	+0⅛	10.01
EIB 9⅞ 87	150	101	101½	+0⅛	+0⅛	9.87
EIB 10 99	150	101½	102	+0⅛	+1	10.04
Export Dv. Cpn. 9.85 84	150	101⅛	101½	+0⅛	+0⅛	9.66
Export Dv. Cpn. 9⅜ 84	100	97⅞	98⅛	0	+0⅛	9.81
Eksportfinans 9 86	50	96	96½	0	0	9.73
Finland 9½ 88	100	97¾	98¼	0	+0⅛	9.80
GTE Fin. 9½ 84	50	97⅞	98⅛	+0⅛	0	10.03
Gould Int. Fin. 9¾ 85	50	99	99½	−0⅛	−0⅛	9.90
Hospital O/S 9 83	25	96⅞	97⅛	+0⅛	+0⅛	9.92
Hudson Bay Co. 10 94	50	100⅜	100⅞	0	−0⅛	9.90
Itel Finance 9¾ 90	30	†89	89½	+1	−0¼	11.48
Itel Finance 10½ 93	40	†90	90½	+1	−0¼	11.96
ITT Antilles 9½ 89	75	96⅞	97¼	0	0	9.98
Kennecott Int. 9½ 86	100	96⅜	96⅞	+0⅛	+0⅛	10.20
Manitoba 9½ 89	75	97⅛	97⅝	0	+0⅛	9.88
Nat. Dev Telecm. 9½ 86	100	98½	99	+0⅛	+0⅛	9.75
New Brunswick 9¾ 94	75	97⅛	97⅞	0	−0⅛	10.05
Newfoundland 10 94	50	99⅞	100⅛	0	0	10.00
Norsk Hydro 9¾ 94	50	95½	96	+0⅛	+0⅛	9.80
Norway 9⅞ 84	150	100⅜	101⅛	+0⅛	+0⅛	9.70
Norway 9½ 84	150	99	99½	+0⅛	+0⅛	9.69
Nova Scotia Pwr. 9¾ 89	50	98⅛	98⅝	+0⅛	+0⅛	10.07
Occidental Fin. 10¼ 84	50	99½	100	0	+0⅛	10.37
Orient Leasg. NV 9½ 86	25	†97⅞	98⅛	+0⅛	+0⅛	9.94
Pennwalt O/S F. 9¾ 84	25	98⅜	99⅛	0	+0⅛	10.01
Portland 10 84	50	97⅛	97⅝	+0⅛	0	10.68
Quebec Hydro 10 99	75	96½	97	0	+0⅛	10.39
Redland Fin. XW 9½ 91	25	92	92⅛	−0⅛	0	10.66
Sears Roebuck 9 82	150	98	98½	+0⅛	+0⅛	9.75
Stockholm 9¾ 94	50	100⅛	100⅝	−0⅛	−0⅛	9.92
Sweden 9¾ 89	100	99⅜	99⅞	0	+0⅛	9.82
Sweden 9½ 86	200	99½	100	+0⅛	+0⅛	9.77
U.S. Leasing Intl. 10 84	20	†96⅞	97⅛	0	−0⅛	10.81

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 6½ 87	70	93½	94⅛	0	+0⅛	6.55
Argentina 6½ 88	150	89¾	90	0	−0⅛	8.12
Argentina 7½ 89	150	94⅛	94⅞	−0⅛	−0⅛	8.35
Australia 6 88	250	96½	96⅞	+1	+1⅛	6.52
Austria 5¾ 90	150	89	89½	+0⅛	+0⅛	7.14
Banco Desarrollo 7¾ 86	100	95⅞	96⅛	0	0	8.01
Barclays O'seas 6¾ 89	100	97¾	98	0	+0⅛	7.09
Bq. Ext. Algerie 7¾ 85	100	95⅝	96⅛	0	+0⅛	8.07
Brazil 7¾ 87	150	96⅛	97⅛	0	−0⅛	7.83
CECA 6 88	150	90½	91¼	+0⅛	+0⅛	7.38
CECA 7 91	150	97⅛	98⅛	0	+0⅛	7.24
[illegible]						

SWISS FRANC STRAIGHTS

[illegible]						

YEN STRAIGHTS

[illegible]						

OTHER STRAIGHTS

[illegible]						

FLOATING RATE NOTES

[illegible]						

CONVERTIBLE BONDS

[illegible]						

* No information available—previous day's price.
† Only one market maker supplied a price.

[illegible]

Veba optimistic after earnings jump

BY GUY HAWTIN IN FRANKFURT

THE VEBA group, West Germany's largest industrial concern, turned in sharply higher first half earnings this year and expects a substantial improvement in its results for 1979.

Herr Rudolf von Bennigsen-Foerder, Veba's chief executive, said that earnings for the second quarter of 1979—particularly in the oil, chemicals and trading sectors—continued to show the substantial increase noted in the first three months.

In the year's opening quarter, group after-tax earnings totalled DM92m ($49.9m). This was more than double the net profits recorded in the first three months of 1978.

This year's improved performance—due in large part to the current oil crisis—follows a substantial 1978 upturn. Last year's net profits, at DM267m ($144.8m), were nearly double the previous year's DM138m.

The massively improved performance has led to a doubling of the dividend from 6 per cent—or DM3 per DM50 nominal share—for 1977 to a proposed DM 6 per share. The 1978 payout includes a DM 1 bonus as Veba is celebrating its golden jubilee in 1979.

Net profits for the parent company in 1978 amounted to DM 196m compared with the previous year's DM 168m. Distributed profits totalled DM 168.8m compared with 1977's DM 85m, while the allocation to reserves was reduced from DM 84m to DM 28m.

Herr Bennigsen-Foerder said that the management was working hard on bringing the group's troublesome glass-making operations back into profit. A tough restructuring programme had been approved and the glass-making sector should be back in the black within two years.

The reorganisation would mean closing down part of the sector's production capacity. This would affect part of the Rheinahr works where some 200 workers would be laid off.

Group capital investment in 1978 amount to some DM 1.76bn compared with 1977's DM 1.55bn, with the bulk of it going to the power generation sector. Depreciation amounted to DM 1.79bn against the previous year's DM 1.34bn.

Group external sales last year totalled DM 31.18bn ($16.9bn), up from 1977's DM 27.39bn.

● Varta, the German battery maker, foresees satisfactory results in 1979 despite higher prices for energy and raw materials, particularly the drastic jump in tin prices, AP-DJ reports from Hagen.

World sales for the first five months of 1979 totalled DM 506m, up by 13 per cent from the year-earlier period. Of this total, consolidated domestic sales accounted for DM 325m, up by 11 per cent. Exports and international business contributed 54.7 per cent to sales for the first five months, approximately unchanged from last year.

Speaking at the annual meeting, Hans Graf von der Goltz, the board chairman, said that Varta is a growth company, well equipped to handle market opportunities that are opening up with energy shortages leading to heightened interest in energy storage technology.

Italian link for General Foods

By Paul Betts in Rome

GENERAL FOODS of the U.S. has bought a 21 per cent shareholding in the Italian food concern, Simmenthal, whose capital was increased last year from L4bn to L5bn.

The two companies have also agreed to form a joint venture called Simfoods initially designed to sell products of the U.S. foods group in Italy through Simmenthal's distribution network.

Simmenthal, with a turnover of L75bn ($90.5m) and reported earnings of L3m last year, is one of Italy's leading producers of tinned meats and fish, controlling about 70 per cent of the domestic market. Sales last year at General Foods totalled $5.47bn.

General Foods is the second large U.S. food group to take a direct interest in an Italian company this year. The Chicago-based Quaker Oats conglomerate recently purchased an 80 per cent controlling stake in the Chiari E Forti foodstuffs concern.

It was also confirmed yesterday that the Milan chemicals conglomerate, Montedison, had sold for an undisclosed amount its U.S. subsidiary, Novamont, to U.S. chemicals, a subsidiary of U.S. Steel.

Novamont, currently with a capital of $59m, was originally set up in the U.S. by Montedison in the 1950s when the Italian group was seeking recognition from the American authorities for its polypropylene patent.

The sale is part of the Milan chemical group's present strategy of disposing of saleable assets in view of its substantial accumulated debts and continuing heavy losses.

Sharp profits setback for Spanish chemical group

BY DAVID GARDNER

A DRAMATIC downturn in profits is reported by Explosivos Rio Tinto (ERT), Spain's leading chemical company. On a rise in sales of just 6 per cent to Pta 80.6bn, net earnings have slumped to Pta 237m ($3.58m) from the Pta 1.87bn achieved in 1977.

The company is likely to undergo substantial retrenchment in the coming years, reviewing all non-essential investment, and perhaps boosting cash-flow by selling off some of its substantial property and tourist industry holdings. Low bourse turnover on ERT shares last year virtually closed an important anticipated source of funds.

ERT is the result of the 1970 fusion of Union Espanola de Explosivos with Compania Espanola de Minas Rio Tinto. It has widely diversified interests, principally in oil refining, fertiliser production, copper, plastics, chemicals, explosives, mining and pharmaceuticals.

This diverse structure guaranteed ERT a positive return in 1978 when for example, the performance of the group's two pharmaceutical subsidiaries offset the poor return on fertiliser sales.

Sr. Juan Miro Chavarria, ERT's director general, further criticised the Government for holding down prices on basic products like fertilisers, which had seriously affected the group's performance. Group turnover, however, was up 12 per cent to Pta 113.6bn.

Sr. Miro announced to shareholders that investment this year would run below amortisation, with the object of consolidating the expansion plans embarked on by the group in 1973. This year will be the first time that ERT has not paid a dividend, with all profits destined to boost the group's reserves.

However, it was stressed that the group's viability had survived an important test in the present crisis. ERT sales during the first five months have picked up slightly, showing an improvement of 8 per cent against last year.

Among new ERT ventures started last year, were a civil explosives factory in Dubai, in which the group has a 49 per cent stake, and a joint uranium mining venture in Segovia with Minera San Albin.

External growth for Esselte

By Victor Kayfetz in Stockholm

ESSELTE, THE office equipment, packaging, printing and publishing group which only five years ago had nearly all its business in the Swedish home market, expects about half its estimated SKr 4bn ($941m) in turnover during the year that began on April 1 to come from foreign sales.

Units outside Sweden will contribute well over half of operating profits, Mr. Sven Wallgren, managing director, writes in the annual report. As reported earlier, the group expects pre-tax profits to rise about 19 per cent to SKr 275m ($65m) this year.

Of the operating profit of SKr 340m returned for 1978-79, just under one-third came from Esselte business systems whose turnover was SKr 1.17bn. Another third derived from 10 months of sales totalling SKr 653m recorded by Dymo Industries, the San Francisco-based labelling systems company purchased in the spring of 1978 whose American operations are being co-ordinated with those of Oxford Pendaflex, another U.S. subsidiary.

Mr. Wallgren sees the acquisition of Dymo as a vital addition to Esselte's marketing strategy. "By means of this and previous acquisitions, Esselte now has access to an organisation which reaches about 100,000 sales points for office products distributed in a large number of countries.

Heavy losses for Ensidesa

BY ROBERT GRAHAM IN MADRID

THE STATE-CONTROLLED steel group Ensidesa reports losses of Pta 12.2bn ($185m) for 1978—a loss widely anticipated within the industry due to a combination of depressed domestic demand, a freeze on Spanish steel prices and the high cost of credit.

Sr. Jose Luis Baranda, Ensidesa chairman, told the company's annual meeting that the bulk of the losses had been recorded in the first quarter (Pta 5.1bn). In the second quarter the Government removed its freeze on steel prices, permitting a 10 per cent rise in prices. However, a further increase in the autumn anticipated by the industry never materialised.

The slump in domestic demand, which say per capita steel consumption fall to 1973 levels, was also a major factor affecting the company's losses. The drop in domestic demand was only partially compensated by an aggressive switch to exports. To compete, margins were kept fine.

Ensidesa was further burdened by substantial financial costs. At the end of December medium and term debt amounted to Pta 114bn ($1.7bn). Of this 43 per cent was contracted with the state holding company, INI, its principal shareholders. The debt service burden last year cost the company Pta 11.4bn, almost the same as total losses.

Short term debt amounted to Pta55bn, of which Pta29bn comprised unpaid bills to suppliers. The amount owed to Ensidesa by its clients was Pta26.5bn. The company has listed Pta17bn ($280m) worth of these outstanding payments as doubtful.

This short term debt underlines the plight of much of Spanish industry after two years of recession. Ensidesa calculated that losses per ton of steel produced last year was equivalent to Pta2,498, marginally below the industry average.

West Germany to raise DM 1.6bn loan

By Our Financial Staff

THE WEST GERMAN government is raising DM 1.6bn through the issue of a single tranche loan over ten years on a coupon of 8 per cent. The bond will be priced at par.

The issue will be the first single tranche state bond to appear since the autumn of last year, and it underlines the recent recovery in the domestic capital market in Germany.

Last month's ten year government issue was comfortably received on a price of 99½, and a subsequent issue by the Federal Railways at 99¾ was swamped with applications. Both bonds carried 8 per cent coupons.

Paris Bourse turnover rises

PARIS — Turnover on the Paris Stock Exchange over the first half of this year amounted to FFr 44.4bn ($10.3bn), an increase of 17.3 per cent over last year according to data released by the Paris Stockbrokers' Association.

The Association pointed out that turnover on the Exchange had been relatively light in January and February 1978 ahead of the Parliamentary elections and was substantially reduced in March this year on account of a strike by clerks.

A rise of 43 per cent in the turnover in bonds to FFr 24.9bn from FFr 17.3bn in the first half of 1978 was mainly responsible for the sharp rise in overall turnover in the first half.
AP-DJ

Pakhoed accounting under fire for second time

BY CHARLES BATCHELOR IN AMSTERDAM

PAKHOED, the storage, transport and property concern, faces a second challenge to its accounts from SOBI, a Dutch pressure group which aims to improve the quality of company reports. After a ruling by the business chamber of the Amsterdam district court in May that Pakhoed's 1977 accounts were incorrect or incomplete in a number of respects, SOBI is now challenging Pakhoed's 1978 accounts.

SOBI claims that the Fl 52m ($26m) operating profit reported by the Polyzathe property division of Pakhoed was "too high in relation to turnover" which was Fl 56m. It also claims that Pakhoed booked investment premiums received in one year instead of spreading them out over the period of the investment as is more usual practice. This led to assets being Fl 13m higher than they should have been, SOBI said.

The business court ruled earlier this year in a case also brought by SOBI that Pakhoed's 1977 accounts were at fault in five respects although it did not demand that new accounts should be prepared. Pakhoed has three months to appeal against this judgment.

● Nederlansche Middenstandsplans to extend its network of representative offices in Europe, South America and the Far East. The bank, which is the fourth largest in the Netherlands, said it will open a representative office in Paris as well as joint offices in Mexico City and Caracas.

Thomson-CSF subsidiary in U.S. expansion

By Terry Dodsworth in Paris

A SUBSIDIARY of the Thomson-CSF electrical group is consolidating its position in the simulator equipment training market with the acquisition of Burtek of the U.S., which claims to be the leading world supplier of training aids for airline cockpit personnel.

A price has yet to be given for the deal, which will bring Burtek together with LMT, the Thomson affiliate. However, Thomson said that the two companies had a combined order book last year in the region of FFr 300m ($68m).

LMT's simulator division builds training and research simulators for aeroplanes, helicopters, tanks, submarines, nuclear power plants and ships.

● Trading losses less than half those of last year are forecast for 1979 by the French hotel and restaurant group, Jacques Borel International.

Shareholders were told at the annual meeting that seasonal variations similar to 1978 will be apparent, but that the company's loss-making activities were recovering and the profitable operations of Borel were, in general, moving ahead.

The group has been suffering heavy losses for three years. In 1976 it registered a loss of FFr 53.7m at the after-tax level, followed by a shortfall of FFr 163.3m for 1977. Last year, the group deficit to FFr 89.8m ($21m).

A large number of changes are being made to the legal structure of the company in order to rationalise trading

Dutch sports goods move

BY OUR AMSTERDAM CORRESPONDENT

BUEHRMANN - TETTERODE, the paper and board manufacturer and trading group, has moved into the sports goods market with the acquisition of All Weather Sports, a Dutch wholesale sports goods dealer. AWS will continue to operate under its present senior management as an independent company within the toy wholesaling division of the BT group.

AWS has an annual turnover of Fl 15m ($7.5m) and a staff of 30. Based in Zoetermeer, near The Hague, it is the exclusive representative for Dunlop tennis, squash, badminton and golf goods in the Netherlands.

● Turnover on the Amsterdam bourse fell to Fl 18.6bn in the first half of 1979 from the record Fl 22.4bn in the same period of 1978, Reuter reports from Amsterdam.

Share turnover dropped to Fl 9.2bn from Fl 10.3bn and bond turnover to Fl 9.4bn from Fl 12.1bn.

Total turnover in June fell to Fl 2.7bn from Fl 3.7bn in May and the record Fl 4.3bn in June, 1978.

Wienerwald forecasts sales boost

BY JOHN WICKS IN ZURICH

TURNOVER OF the Wienerwald restaurant and hotel group is expected to increase by more than 40 per cent to around SwFr 1.3bn ($785m) in 1979, compared with sales of SwFr 902.6m last year. The forecast includes sales of some SwFr 370m which are expected to result from the U.S. company Ihop Corporation, which Wienerwald acquired earlier this year.

Last year, group sales rose by 38.3 per cent, over half of the growth arising from the opening of new outlets and the acquisition of the "LUMS" chain in the U.S.

At present, Wienerwald operates a total of 1,465 restaurants, snack bars, hotels and discos. Major operations are in Germany — with 496 outlets alone—and in the U.S., Switzerland and Austria. The group shortly intends to enter the travel-agency business.

* * *

THE ITALIAN Winefood group, a subsidiary of Credit Suisse, reports a loss of L9.7bn for 1978, compared with L14bn previously. The loss is attributed primarily to interest costs.

Winefood Italy's largest single producer and distributor of wine and active in hotel-keeping, agriculture and the food industry, was acquired by Credit Suisse as part of the Texon group built up in connection with irregularities at the bank's Chiasso branch.

Sales are reported to be developing well this year, turnover having risen 43 per cent and exports 25 per cent in the first five months. The company now expects to be able to reach its 1979 target of a break-even. Last year, Credit Suisse announced the intention to sell Winefood in the early 1980s when its operations are far enough improved.

* * *

THE BOND investment fund Poly-Bond International, administered by the Swiss Volksbank affiliate Kafag, is to reduce its gross dividend from SwFr 4.30 to SwFr 3.80 per certificate for the year ended May 31. The fund's income was substantially affected by the lower exchange rates of non-Swiss franc currencies last year, even though the situation improved in the second half.

Issue price of certificates, whose circulation rose by 5.2 per cent to over 2.3m, fell from SwFr 71.70 to SwFr 66.90 each during the period.

Confident full-year forecast by Toyo Kogyo

By Yoko Shibata in Tokyo

TOYO KOGYO, the maker of Mazda cars, has reported a buoyant performance for the first six months of the 1979 fiscal year ended last April. The company foresees strong earnings for the whole of the current fiscal year, to October, and intends to increase its dividend by Y0.5 to Y2.5 (10 per cent per annum) at the end of current fiscal year.

The automobile maker, which is currently in talks with Ford Motor of the U.S. about a proposed 20 per cent capital participation by Ford, boosted its interim operating profits by 106.2 per cent to Y12.715bn ($58.5m). Net profits were up by 91.9 per cent to Y6.44bn, on sales of Y396.32bn ($1.8bn), up 22.4 per cent over the same period of the previous year. The sharp improvement in earnings was attributed partly to the production increase resulting from continued favourably high sales of the rotary-engined sports cars, as well as to an improved sales system, and management rationalisation.

In the six months, Toyo Kogyo sold 474,563 vehicles up 18 per cent over a year ago, of which passenger cars accounted for 310,722 vehicles and trucks accounted for 164,831 vehicles. The company's exports gained 5.9 per cent over the previous year to 287,565 vehicles, while its domestic sales rose by 43.3 per cent to 186,988 vehicles.

By the end of April, Toyo Kogyo's interest bearing liabilities had been reduced to Y289.3bn, or Y24.3bn less than at April last year.

The company is closely related to the Sumitomo group and is under going a financial reconstruction, headed by Sumitomo Bank. The Sumitomo group raised its stake in Toyo Kogyo to 13.6 per cent in April, from 11.2 per cent, and intends to increase its holding to 20 per cent prior to Ford's 20 per cent capital participation, in order to maintain its influence over Toyo Kogyo's management.

The company expects record operating profits of Y28bn, up 87 per cent, on sales of Y830bn, up 20 per cent over 1978-79.

COMPANY PROFITS

Japan scales new peak

BY RICHARD C. HANSON IN TOKYO

CORPORATE EARNINGS in Japan in the half year to last March appear to be the highest on record, surpassing the pre-1973 oil crisis peak. The outlook, however, is for a levelling off in the latter half of the current fiscal year.

A survey by Wako Securities, covering 377 companies listed in the first section of the Tokyo Stock Exchange shows that operating profits in the March half rose 22 per cent over the previous half-year to September (29.7 per cent if electric power companies are excluded), while sales gained 6.1 per cent (6.64 per cent without the electrics).

Manufacturing sector companies had a rise of 34 per cent in operating profit while non-manufacturing showed an increase of 6.4 per cent. Sales were up 7 per cent and 5.5 per cent respectively.

Nihon Keizai Shimbun, in its own interim estimate, said that operating profits were up 15.2 per cent, which is the first double figure increase in four half-year terms, and follows the 6.6 per cent rise recorded in the six months to September 1978. Sales growth was 7.7 per cent compared with a decline of 3.1 per cent in September.

The rising cost of raw materials will put a drag on Japanese corporate profits in the latter half of the current fiscal year, according to surveys by securities houses and banks. The increase in the price of crude oil continues to be the most worrisome factor. There is also concern that the Government will continue to tighten credit during the summer months and that the American economy will falter.

During the six months to September, a survey by Nomura Research Institute of 393 businesses indicated that operating profits would rise by 15.1 per cent over the prior half, but that there would be a 0.1 per cent decline in the half ending next March.

Sales are expected to increase 5.9 per cent in the first half and by 5.1 per cent in the second.

Nomura said that the projections for the second half profit would actually show a rise of 5.4 per cent if the electric power companies (sharply hit by rising oil prices) are left out. Manufacturing sector companies as a whole would have a 4.8 per cent rise.

Wako Securities is forecasting that operating profits in the September half for all industries will increase 11.05 per cent and that the rise for the half to March will be only 1.76 per cent. It said sales would increase about 4 per cent in the first and in the second half.

Non-manufacturing industries, says Wako, would show declines of 4.59 per cent in operating profits in the first of these halves and 3.88 per cent in the second, while manufacturers posted a 20.4 per cent first half gain and a 4.43 per cent increase in the second. The electric power companies would see a profit decline of 6.9 per cent in the first half and 23.4 per cent in the next.

The number of first-session Tokyo Stock Exchange companies reaching record highs in operating profit this year will be about 93.

Sumitomo Bank estimates that the manufacturing sector will have a rise in operating profits of 6 per cent in the first half, followed by an 8 per cent drop in the second half. The Bank sees an 8 per cent rise for mining industries in the first half and a 15 per cent decline in the second, with processing industries up 4.3 per cent and 1 per cent, respectively.

Modernisation plans at Tisco

BY R. C. MURTHY IN BOMBAY

TATA Iron and Steel Company (TISCO) has embarked on a Rs 3.20bn (about $400m) renovation and modernisation plan for its steel operations and collieries supplying coking coal.

The modernisation programme envisages the establishment of a new oxygen steel making plant, which will have to be imported to replace one of three steel mills set up in 1929. Provision is made for a foreign exchange component of Rs 500m, which will be financed by international credits. Some Rs 1.45bn will come from the company's own resources and Rs 200m by way of public deposits and other sources. The dependence on external institutional sources for rupee finance is for only Rs 1.1bn.

Public financial institutions have sanctioned Rs 300m for collieries development, waving the rule of converting a part (up to 20 per cent) of the loan into equity, which is stipulated for loans to major private sector companies. Another Rs 800m is to come from the Government. These funds can come, says Mr. J. R. D. Tata, the Tisco chairman, from the steel industry development fund. Tisco's modernisation programme envisaged an investment of more than Rs 4bn, but was pruned at the insistance of the Government which rejected the proposal to set up a new bar and rod mill.

Tisco had proposed a massive modernisation programme, prepared by Japanese consultants and involving an investment of more than Rs 12bn at 1970-71 prices.

The total turnover of Tisco at Rs 3.81bn in the year ended March 1979 was 10 per cent higher than in 1977-78. Pre-tax profits rose sharply, to Rs 249m in 1978-79, from Rs 78.7m in 1977-78. The increase in revenue (despite a drop in steel production) and vastly expanded margins were due to an increase in steel prices, which are controlled by the Government; partly because of better product-mix and lower interest charges. Lending rates at banks were reduced from March 1978.

Tisco produced 1.516m tonnes of saleable steel, representing 99.5 per cent of capacity utilisation, and comparing with 1.601m in 1977-78. Lower steel production was attributed to electric power shortage and coal and coke supply bottlenecks. But steel sales were even lower because of a shortage of railway wagons

Profits after tax and other adjustments were Rs 198.0m in 1978-79, against Rs 116.7m in 1977-78. Tisco raised its dividend on equity capital from 11 per cent to 12 per cent, the maximum allowed by the Government under its steel policy. The idea is to enable the high-cost public sector steel plants to earn a reasonable return, and at the same time to limit the dividend to shareholders of Tisco, the only private sector steel unit.

The Government has rejected Tisco nationalisation, as proposed by left-wing union ministers, who do not want Tatas effectively to control the company, with only a four per cent equity shareholding. Tisco is managed, says Mr. J. R. D. Tata, by an independent professional board of directors, of which he happened to be the chairman. There was therefore no need for a change in management.

ANZ to form company in New Zealand

MELBOURNE—The Australia and New Zealand Banking Group said it will form a company incorporated in New Zealand, ANZ Banking Group (New Zealand), to conduct the total operations of the bank in that country.

The bank said it intends to sell part of its stake in the new company to the New Zealand public, details of which will be announced soon after incorporation.

The bank said the proposal has received official approval and it expects the new company to acquire the New Zealand business as at October 1.

● Meanwhile James Hardie Asbestos said it will ask shareholders to approve a name change to James Hardie Industries at the annual meeting on August 2.

The board considered the name change to be appropriate in view of the acquisition of substantial new businesses in the past year. Shareholders will also be asked to approve an increase in the number of directors from 10 to 12.

Reuter

U.S. divestment in the Philippines

BY LEO GONZAGA IN MANILA

THE SALE by Goodyear Tire and Rubber Company of Akron, Ohio, of 31 per cent of its interest in Goodyear Tire and Rubber Company of the Philippines is just one of the three recent partial divestments by American investors here.

The buyer of the local Goodyear shares is state-owned Philippine National Oil Company (PNOC) which several years ago purchased the oil refining and marketing operations of Exxon here through Esso Philippines Incorporated.

PNOC has a tyre, battery and accessory marketing subsidiary called Petron TBA Corporation which has virtually a captive market made up of Government offices and the armed forces.

In the first of the two other divestment moves United Amherst Leasing and Finance Corporation, the local affiliate of Amherst Financial Group of the U.S., has sold 1.1m pesos worth of shares, equivalent to 30 per cent of the total equity, to Pacific Banking Corporation. The tie-up with the domestic commercial bank is intended to boost Amherst's financing leasing operations.

In the other move, General Motors Corporation of Detroit sold 40 per cent of its interest in GM Philippines Incorporated and GM Transmission Corporation to Japan's Isuzu Motor Company. GM Philippines assembles GM and Isuzu cars and trucks, while GM Transmission manufactures automotive transmissions. GM is a major stockholder of Isuzu in Japan.

It is also reported that a complete withdrawal of capital is planned by American investors in GTE Philippines Incorporated, which makes telephone equipment. Philippine Long Distance Telephone Company (PLDT) is a co-owner of GTE Philippines but recently awarded a big telephone equipment supply contract to West Germany's Siemens AG

Imported telephone equipment attracts only a 10 per cent tariff duty, whereas the tax on locally-made equipment is 30 per cent.

GTE Philippines has slowed down its operations and laid off some of its workers since orders from PLDT and RETELCO are sporadic and there is also not enough business from the Government telephone sysem. The American investors in GTE Philippines, whose equity there is a carry-over of original investments in General Telephone and Electronics Company of the U.S., the former owner if PLDT, are understood to be offering to sell out to local buyers.

Group results from JVC

BY YOKO SHIBATA

VICTOR Company of Japan (JVC), a major maker of audio equipment and a developer of home-use video tape recorders using the "VHS" formula has announced consolidated results for the first time for the fiscal year to March.

JVC's consolidated profits were Y4,830bn, 26 per cent higher than its non-consolidated profits. Profits per share were Y33.1, compared with Y26.3 on a non-consolidated basis. Helped by strong sales of VTR's both in domestic and overseas markets, JVC's consolidated sales exceeded non-consolidated by 27 per cent, at Y238.45bn. JVC has 43 consolidated subsidaries, in particular its only overseas consolidated subsidiary, U.S. JVC fared well. The company's overseas sales accounted for 40 per cent of the total turnover.

Its sales break down was as follows: video tape recorders accounted for 29 per cent; audio equipment for 30 per cent; phonograph records for 15 per cent; and television sets for 25 per cent.

For the current fiscal year ending March 1980, the company's consolidated sales are expected to grow by 15 per cent to Y275bn, and net profits by 15 per cent to Y5.6bn

International Wood

International Wood Products, the Singapore veneer and plywood manufacturer, has reported group post-tax profit of S$3.84m (U.S.$1.8m) for the year ended February, to show an increase of 135 per cent from the previous year, writes Georgie Lee from Singapore.

Sharp rise for Shaw Wallace

By R. C. Murthy

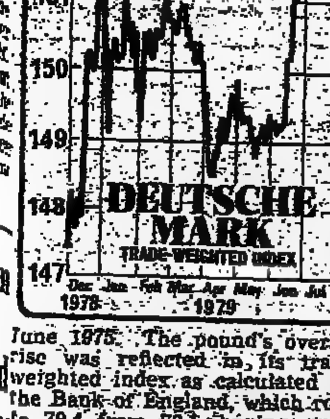
THE TURNOVER of Shaw Wallace and Co. crossed the Rs. 1bn mark in 1978, and touched Rs 1.07bn, to register a 13 per cent growth. Profits after tax at Rs 29.8bn, rose by 54 per cent, indicating an improvement in margins. After a 15 per cent payout as dividend, the company retained Rs. 6.4m (Rs. 0.99m in 1977). Shaw Wallace, which is connected with Sime Darby and Shaw Wallace and Hedges is a diversified company with interests directly or indirectly in liquor and wines, glue osseinn, chemicals fertilisers formulation, tea and yeast. It is negotiating with the government of Andhra Pradesh to set up a giant chemical fertilisers plant in the southern state.

The market for liquor and wines is narrowing in India, with the Janata Government's decision to implement prohibition of sale and consumption of liquor as a national policy. Since it is a state matter under the Indian constitution, inducements are being offered by the Government of India to make good as grants the loss in revenue by way of taxes on liquors. With the gradual extension of prohibition—Tamilnadu and Gujarat are already "dry"—Shaw Wallace is devoting its attention to upgrading its existing range of liquors and to exports. Its exports in 1978 amounted to Rs. 86.5m, for a rise of 12 per cent. Besides its activities in its own products, Shaw Wallace has acted as an export house, to promote Indian products and services such as diesel engines, handicrafts garments and computer services.

CURRENCIES, MONEY and GOLD

Pound rises past $2.20

Sterling continued to improve against major currencies yesterday, and was notable for its sharp rise against the dollar. Shrugging aside the intermittent bouts of profit-taking and efforts by the Bank of England to arrest the decline, the pound was pushed through the $2.20 level late in the afternoon, and closed at the top for the day at $2.2025-$2.2035, a rise of 1.45c from Monday, and its best level since



June 1975. The pound's overall rise was reflected in its trade weighted index as calculated by the Bank of England, which rose to 70.4 from 70.1, having stood at 70.3 at noon and 70.0 in the morning. Yesterday's closing calculation was its highest since February 1976.

The dollar trod a rather uneasy path for most of the day, with concern in some quarters over the apparent lack of vigour in the Federal authorities' attempts to support the U.S. unit. As central banks left the market later in the afternoon so the dollar began to decline to show a rather mixed finish.

Against the D-mark it fell to DM1.8400 from DM1.8415 but improved in terms of the Swiss franc to SwFr 1.6570 from SwFr 1.6555. Against the Japanese yen, the dollar moved only slightly to close at Y218.40 compared with 218.20. On Bank of England figures, the dollar's trade weighted index was 85.1 against 85.0 previously.

FRANKFURT—The dollar was fixed higher at yesterday's fixing at DM1.8468 compared with Monday's level of DM1.8391, and there was no intervention by the Bundesbank. Trading remained quiet ahead of today's holiday in the U.S. with most currencies showing little movement.

BRUSSELS — The Belgian franc eased against most currencies, despite last week's higher interest rates and yesterday's support by the Belgian National Bank, which amounted to more than DM50m. The Belgian franc moved to BFr 16.025 against the D-mark compared with BFr 16.02 previously.

MILAN—The lira lost ground against the dollar and sterling but held firm against EMS currencies. The dollar was fixed at L829.70, up from L828.95 on Monday and sterling climbed to L1,821.2 from L1,814.55. The D-mark eased slightly to L449.60 from L450.9.

TOKYO—In thin trading the dollar showed a slight improvement over the yen at the close at Y218.20, compared with Y217.775 on Monday. After opening at Y218.50, the U.S. unit traded within a narrow range throughout the day.

THE POUND SPOT AND FORWARD

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1850-2.2035	2.2025-2.2035	0.75-0.65c pm	3.81	1.57-1.47 pm	2.75
Canada	2.5535-2.5690	2.5665-2.5675	0.85-0.75c pm	3.74	1.80-1.70 pm	2.73
Nethlnd.	4.42½-4.48½	4.46¾-4.47¾	2¼-1¼c pm	5.03	6-5 pm	4.92
Belgium	64.40-65.10	64.95-65.05	20-10c pm	2.77	45-35 pm	2.46
Denmark	11.60-11.72	11.70½-11.71½	1ore pm-1or dis	par	1-3 dis	−0.68
Ireland	1.0655-1.0755	1.0740-1.0750	45-55 pd's	−5.58	100-115 dis	−4.00
W. Ger.	4.02½-4.07	4.05-4.06	3¼-2½pf pm	8.88	7¼-6¼ pm	7.15
Portugal	107.00-108.50	107.90-108.30	30-80c dis	−6.66	120-220 dis	−6.29
Spain	144.40-145.70	145.55-145.85	35c pm-15c dis	2.06	25pm-75dis	−1.37
Italy	1814-1826	1824½-1825½	par-2lire dis	−0.66	2½-4½ dis	−0.77
Norway	11.12-11.20	11.18½-11.19½	5¾-3¼ore pm	4.56	13½-11¼ pm	4.56
France	9.34½-9.42½	9.41½-9.42½	3¼-2¼c pm	3.50	6½-5½ pm	2.65
Sweden	9.33-9.41	9.39¾-9.40¾	3½-1½ore pm	3.19	7¼-5¼ pm	2.66
Japan	475-483	480½-481½	430-395y pm	10.16	995-965 pm	8.14
Austria	29.55-29.90	29.80-29.85	22-12gro pm	7.08	63-43 pm	6.66
Switz.	3.62-3.66	3.64½-3.65½	4½-3½c pm	13.14	11½-10½ pm	14.81

Belgian rate is for convertible francs. Financial franc 68.15-68.25c pm. Six-month forward dollar 2.67-2.62c pm; 12-month 4.50-4.40c pm.

THE DOLLAR SPOT AND FORWARD

July 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1850-2.2035	2.2025-2.2035	0.75-0.65c pm	3.81	1.57-1.47 pm	2.76
Ireland†	2.0460-2.0515	2.0485-2.0515	1.70-1.50c pm	9.37	3.96-3.86 pm	7.42
Canada†	85.52-85.57	85.54-85.57	0.03-0.01c pm	0.28	0.04-0.01 pm	0.12
Nethlnd.	2.0290-2.0310	2.0290-2.0310	0.50-0.40c pm	2.66	1.30-1.20 pm	2.46
Belgium	29.55-29.59½	29.55-29.57½	1-3c dis	−0.81	2-4 dis	−0.40
Denmark	5.3105-5.3185	5.3165-5.3170	1.25-1.75ore dis	−3.38	4.25-4.75dis	−3.39
W. Ger.	1.8400-1.8480	1.8400-1.8410	0.80-0.70pf pm	4.89	2.15-2.05 pm	4.56
Portugal	48.83-49.95	48.87-48.95	35-45c dis	−9.62	90-130 dis	−8.82
Spain	66.09-66.18	66.15-66.18	15-25c dis	−3.63	60-70 dis	−3.93
Italy	825.70-830.30	829.70-830.00	3.25-4.0lire dis	−5.24	8-9 dis	−4.10
Norway	5.0790-5.0835	5.0825-5.0835	0.70-0.20ore pm	1.08	2.40-1.90 pm	1.69
France	4.2790-4.2840	4.2800-4.2810	0.1c dis-par	−0.14	0.05-0.25dis	−0.14
Sweden	4.2625-4.2665	4.2625-4.2635	0.10ore dis-0.10 pm	—	0.20 pm-par	0.94
Japan	218.40-218.90	218.40-218.60	1.20-1.05y pm	6.18	2.90-2.75 pm	5.17
Austria	13.53¾-13.56¾	13.53¾-13.54¾	4.25-3.50gro pm	3.44	13-11 pm	3.54
Switz.	1.6555-1.6610	1.6565-1.6585	1.45-1.40c pm	10.33	4.10-4.05 pm	9.84

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

July 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.591085	0.626823
U.S. $	9½	1.29418	1.37093
Canadian $	11¼	Unavail.	1.50289
Austria Sch.	3¾	17.4779	18.5212
Belgian F.	9	38.1156	40.4286
Danish K.	8	6.83327	7.26356
D mark	4	2.38012	2.52488
Guilder	7	2.61818	2.77339
French Fr.	9½	5.51321	5.85111
Lira	10½	1072.58	1136.60
Yen	4¼	282.646	299.095
Nrwgn. K	7	6.56149	6.96361
Spanish Pes.	8	85.4301	90.5495
Swedish Kr.	6	5.50416	5.83397
Swiss Fr.	1	2.14083	2.27107

CURRENCY MOVEMENTS

July 3	Bank of England Index	Morgan Guaranty changes %
Sterling	70.4	−34.7
U.S. dollar	85.1	−8.5
Canadian dollar	80.9	−16.8
Austrian schilling	147.0	+18.7
Belgian franc	113.9	+13.1
Danish kroner	115.7	+7.4
Deutsche Mark	151.5	+42.6
Swiss franc	197.9	+82.3
Guilder	123.0	+18.4
French franc	99.1	−7.0
Lira	54.6	−49.1
Yen	151.1	+30.1

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

July 3	£	$		£ Note Rates
Argentina Peso	2898-2908	1293-1322	Austria	29.50
Australia Dollar	1.9605-1.9645	0.8920-0.8940	Belgium	67.3-68.5
Brazil Cruzeiro	55.56-57.56	25.35-25.52	Denmark	11.60-11.75
Finland Markka	8.52-8.54	3.8775-3.8795	France	9.30-9.40
Greek Drachma	79.636-81.649	36.16-37.03	Germany	4.00-4.10
Hong Kong Dollar	11.180-11.190	5.0856-5.1028	Italy	1,800-1,825
Iran Rial	155.59-164.06	72-75	Japan	475-485
Kuwait Dinar (KD)	0.600-0.610	0.2765-0.2767	Netherlands	4.40-4.50
Luxembourg Fr.	64.55-64.65	29.60-29.62	Norway	11.10-11.20
Malaysia Dollar	4.7720-4.7630	2.1705-2.1720	Portugal	102-106
New Zealand Dlr.	2.1700-2.1760	0.9876-0.9906	Spain	142-146
Saudi Arab. Riyal	7.38-7.44	3.3725-3.3605	Switzerland	3.55-3.65
Singapore Dollar	4.7650-4.7760	2.1660-2.1680	United States	2.19-2.20
Sth. African Rand	1.8450-1.8650	0.8440-0.8488	Yugoslavia	40-43

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.4582	40.4918	+2.62	+1.52	±1.53
Danish Krone	7.08592	7.27466	+2.67	+1.57	±1.635
German D-Mark	2.51064	2.52612	+0.62	−0.48	±1.1325
French Franc	5.79831	5.86068	+1.08	−0.01	±1.35
Dutch Guilder	2.72077	2.77969	+2.17	+1.07	±1.5075
Irish Punt	0.662638	0.667853	+0.79	−0.31	±1.665
Italian Lira	1148.15	1135.46	−1.11	−1.11	±4.0725

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 3	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.203	4.065	481.3	9.418	3.653	4.473	1825.	2.567	65.00
U.S. Dollar	0.454	1.	1.847	218.5	4.275	1.658	2.030	828.4	1.165	29.51
Deutschemark	0.246	0.542	1.	118.4	2.317	0.901	1.102	450.1	0.633	16.05
Japanese Yen 1,000	2.078	4.576	8.445	1000.	19.57	7.590	9.294	3792.	5.334	135.1
French Franc 10	1.062	2.339	4.316	511.0	10.	3.878	4.749	1938.	2.726	69.02
Swiss Franc	0.274	0.604	1.110	131.8	2.578	1.	1.225	499.7	0.703	17.80
Dutch Guilder	0.224	0.493	0.909	107.6	2.105	0.817	1.	408.0	0.574	14.53
Italian Lira 1,000	0.548	1.208	2.227	263.7	5.160	2.001	2.451	1000.	1.407	35.62
Canadian Dollar	0.390	0.858	1.583	187.5	3.668	1.423	1.742	710.9	1.	25.32
Belgian Franc 100	1.538	3.389	6.253	740.4	14.49	5.619	6.881	2808.	3.949	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one month 10.45-10.55 per cent; three months 10.35-10.45 per cent; six months 10.40-10.50 per cent; one year 10.00-10.20 per cent.

July 3	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	14½-14¾	10⅛-10⅜	9½-10½	7½-7¾	[illegible]	5¼-5½	8½-9	n.a.	—	2¾-3⅞
7 days' notice	14½-14¾	10¼-10½	9½-10¼	7½-7¾	[illegible]	5¼-5½	8½-9	16-17	10⅛-10½	3¼-4½
Month	14¼-14½	10⅛-10⅝	10⅝-11	7⅞-8⅛	[illegible]	5⅜-5⅝	10⅛-10⅝	13½-14½	11-11⅛	4¼-4½
Three months	14⅛-14⅜	10⅛-11	10⅞-11⅛	8⅛-8½	1-1⅛	6⅛-6¼	10⅞-11⅛	13⅝-14⅜	11-11⅛	5⅛-5½
Six months	13⅛-13⅜	10⅛-10⅝	10⅞-11⅛	8¼-9⅛	1¼-1⅜	6¾-6⅞	11¼-11½	14¼-15¼	10⅛-10⅝	6⅛-6⅜
One year	12½-13¼	10¼-10⅞	10¼-10⅝	9⅛-9⅜	2⅛-2¼	6⅞-7⅛	11¼-11½	14½-15½	10¼-10⅝	6-6⅜

Long-term Eurodollar: two years 9¹⁵⁄₁₆-10³⁄₁₆ per cent; three years 9⅞-10 per cent; four years 9¹³⁄₁₆-9¹⁵⁄₁₆ per cent; five years 9¹³⁄₁₆-9¹⁵⁄₁₆ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Bank of France to buy paper

The Bank of France has offered to buy first category paper by tender with a value date for its purchases of July 6. The offer is applicable to paper maturing between July 18 and July 30 and the results of the tender will be known tomorrow. The Bank's last tender of this kind was on June 20 and produced a yield of 8⅞ per cent.

Interest rates in the Paris money market continued to harden, and while call money remained at 8⅞ per cent, one-month money rose to 8⅞-9 per cent from 8⅝-8¾ per cent and three-month to 9⅛-9¼ per cent from 9⅛-9⅜ per cent. The six-month rate rose from 9⅜-9½ per cent to 9⅝-9¾ per cent and 12-month money was quoted at 10⅛-10¼ per cent, up from 9⅞-10

FRANKFURT — Interbank money rates were sharply firmer yesterday, with call money at 5.60-5.70 per cent against 5.60-5.65 per cent and one-month money rising to 5.95-6.10 per cent from 5.70-5.90 per cent. The three-month rate rose to 6.60-6.75 per cent from 6.40-6.60 per cent with six-month money at 7.10-7.25 per cent against 6.70-6.90 per cent. 12-month money was quoted at 7.25-7.40 per cent against 7.10-7.30 per cent previously.

ROME—The supply of credit continued to tighten yesterday with three-month interbank money touching 11⅞ per cent from 11⅝ per cent on Friday and one-month money at 11¾ per cent. Half yearly tax payments were seen as one of the factors draining liquidity, while heavy purchases of Treasury bills and savings certificates also contributed to the tight conditions.

BRUSSELS—Deposit rates for Belgian franc (commercial) were generally firmer, with one-month deposits at 11⅛-11½ per cent against 10¾-11⅛ per cent and three-month deposits at 11⅜-11¾ per cent, unchanged from Monday. The six-month rate however, rose to 10¾-11 per cent from 10½-10¾ per cent while 12-month deposits were quoted at 10⅛-10⅜ posits were quoted at 10⅛-10⅜

HONG KONG — Conditions were initially tight in the money market, but eased generally during the afternoon with call money quoted at 11 per cent and overnight business dealt at 10½ per cent.

UK MONEY MARKET

Large assistance

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

Day-to-day credit remained in short supply in the London money market yesterday, and the authorities gave assistance on a large scale. This was made up of small purchases of Treasury bills and a small number of corporation bills in addition to lending a large amount to six or seven houses at MLR for repayment today. The market was helped by banks bringing forward balances a moderate way above target. On the other hand there was a small net take up of Treasury bills to finance and the repayment of Monday's moderate official lending. In addition there was a small increase in the note circulation and revenue transfers to the Exchequer exceeded Government disbursements by a small amount. Also further funds were drained by the settlement of gilt edged sales.

Discount houses were paying 13½-13¾ per cent for secured call loans at the start with closing balances taken mostly between 13 per cent and 13½ per cent, although some funds were found as low as 12 per cent.

In the interbank market, overnight loans opened at 14½-14¾ per cent and had eased to 14-14½ per cent by early afternoon. Later on, after touching 14½-15 per cent, rates eased off, with late balances found at 9½ per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

July 3 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ◆	Eligible Bank Bills ◆	Fine Trade Bills ◆
Overnight	—	9½-15	—	—	—	14⅝	12-14	—	—	—
2 days notice	—	—	14⅝-14⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅛-14⅝	14⅜-14⅝	—	14⅝	14⅛	14	—	—	—
One month	14⅜-14⅛	14⅜-14½	14¼-14½	14¼-14⅜	14¾	14½	14	13⅞-13⅞	14	14½
Two months	14⅛-14	14⅛-14¼	—	14⅛-14⅛	14⅝	14¼	13⅞	13⅜	13⅞-13¹³⁄₁₆	14⅜
Three months	13⅜-13⅛	13⅛-14⅛	13⅞-14	13⅞-13⅛	14⅜	—	13⅝	13⅛-13⅜	13⅛	14¼
Six months	13⅛-12⅞	13⅛-13¼	13⅛-13⅜	12¾-12⅛	13⅝	—	—	—	12⅞	14⅛
Nine months	12⅞-12⅝	12⅞-12⅝	—	12⅝-12¼	13	—	—	—	—	—
One year	12½-12	12¼-12⅝	12⅜-12¾	13⅛-12⅝	12⅝	—	—	—	—	—
Two years	—	—	12⅛-12⅞	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 12¾-12⅞ per cent; four years 12¾-12⅞ per cent; five years 12¾-12⅞ per cent. ◆ Bank bill rates in table are buying rates for prime paper. Buying rate for four-months bank bills 13¾ per cent; four-months trade bills 14⅛ per cent.

Approximate selling rate for one-month Treasury bills 13⅝-13⅞ per cent; two-months 13¹⁹⁄₃₂ per cent; three months 13⅛ per cent. Approximate selling rates for one-month bank bills 13¾-13⅞ per cent; two-month 13¾-13¹³⁄₁₆ per cent and three-month 13½-13⅝ per cent; one-month trade bills 14⅛ per cent; two-month 14⅛ per cent and three-month 14⅛ per cent.

Finance House Base Rate (published by the Finance Houses Association) 13 per cent from July 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.3295 per cent.

GOLD

Quiet trading

Gold spent a very quiet day in the London bullion market yesterday and closed unchanged from Monday at $281¾-282¼. The metal opened at $281¾-282¼ and trading for most of the day took place within a very narrow spread of just $1. The Krugerrand's premium over its gold content narrowed slightly to 3.15 per cent from 3.32 per cent.

In Paris the 12½ kilo bar was fixed at Fr40,500 per kilo ($294.04 per ounce) compared with Fr40,700 ($295.51) in the morning and Fr40,150 ($293.14) on Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM16,735 per kilo ($282.13 per ounce) against DM16,885 ($282.37) previously.

	July 3	July 2
Gold Bullion (fine ounce)		
Close	$281¾-282¼ (£128.0-128.4)	$281¾-282½ (£128.6-128.8)
Opening	$281½-282¼ (£128.7-129.0)	$281¼-282 (£128.4-128.7)
Morning fixing	$281.80 (£128.852)	$282.30 (£129.057)
Afternoon fixing	$281.35 (£128.176)	$282.50 (£128.907)
Gold Coins, domestically		
Krugerrand	$290-292 (£131½-132½)	$290½-292½ (£132½-133½)
New Sovereigns	$72¾-74¾ (£33-34)	$72¾-74½ (£33-34)
Old Sovereigns	$88-90 (£40-41)	$87¾-89¾ (£40-41)
Gold Coins, internationally		
Krugerrand	$290-292 (£131½-132½)	$290½-292½ (£132½-133½)
New Sovereigns	$72¾-74¾ (£33-34)	$72¾-74½ (£33-34)
Old Sovereigns	$88-90 (£40-41)	$87¾-89¾ (£40-41)
$20 Eagles	$403-408	$401-406
$10 Eagles	$223-228	$223-228
$5 Eagles	$159-164	$159-164

MONEY RATES

NEW YORK	
Prime Rate	11.5-11.75
Fed Funds	10.25
Treasury Bills (13-week)	8.90
Treasury Bills (26-week)	8.89
GERMANY	
Discount Rate	4
Overnight Rate	5.65
One month	6.025
Three months	6.675
Six months	7.225
FRANCE	
Discount Rate	9.5
Overnight Rate	8.50
One month	8.9375
Three months	9.4375
Six months	9.6875
JAPAN	
Discount Rate	4.25
Call (Unconditional)	5.5625
Bills Discount (three-mth.)	6.1875

COMPANY NOTICES

LEGAL NOTICES

MARSHAL SALE
In the FEDERAL COURT OF CANADA
TRIAL DIVISION
between
THE ROYAL BANK OF CANADA
(Plaintiff)
and
HAROLD S. SIGURDSON
as Receiver-Manager of International Hydrodynamics Company Ltd.,
INTERNATIONAL HYDRODYNAMICS COMPANY LTD.,
THE PENINSULAR AND ORIENTAL STEAM NAVIGATION COMPANY,
and the 'PISCES V' and all others interested in the vessel 'Pisces V'.
(Defendants)

Pursuant to the order of the Honourable Mr. Justice Collier of the Federal Court of Canada made 18 June, 1979, the vessel 'Pisces V', which has been arrested in the County of Vancouver, in the Province of British Columbia, is to be sold by auction by way of sealed tenders on 17 July, 1979.

The vessel 'Pisces V' is to be sold as is, where is, with all faults as she now lies without any allowance for deficiency in length, weight, quality or any defect or error whatsoever, particulars not guaranteed, and subject to an existing seizure for Customs and Excise.

The vessel 'Pisces V' is currently under seizure by Her Majesty's Department of National Revenue, Customs and Excise for Canada, and the purchaser must remove the vessel 'Pisces V' from Canada within 90 days of the date of execution of the bill of sale by the Marshal. It is understood by the Marshal but not warranted or represented by the Marshal that upon export of the vessel 'Pisces V' from Canada within the said period of 90 days the vessel 'Pisces V' shall be released from that seizure.

The amount of the offer to purchase shall be tendered not only on the 'Pisces V' but also in respect of spare parts, a list of which may be obtained from the Marshal.

The sealed offers shall be addressed to the Sheriff of the Province of British Columbia, ex officio Marshal of the Federal Court, and each sealed offer shall be accompanied by a deposit in cash or by certified cheque payable to the order of the Minister of Finance, equal to ten per cent of the offer. Sealed offers to purchase must be delivered to the Marshal on or before 4.00 o'clock on 13 July, 1979. The sealed offers shall be opened at 1.00 p.m., Tuesday, 17 July, 1979 in open court at the Federal Court of Canada, 7th floor, Pacific Centre, Vancouver, B.C.

The highest offer to purchase shall be accepted unless that offer be less than the appraised value of the vessel 'Pisces V'.

The purchase price is to be paid in cash or by certified cheque payable to the Minister of Finance, by 4.00 p.m., Friday, 27 July, 1979. The Marshal shall return the deposits of unsuccessful tenderers within 48 hours of the opening of the tenderers' offers to purchase.

NOTICE TO CREDITORS OF THE VESSEL 'PISCES V'

All claims against the vessel 'Pisces V' must be filed in the Vancouver Registry of the Federal Court of Canada by affidavit on or before 1 September, 1979 and any creditor filing such an affidavit and any parties to this action may cross-examine the makers of any such affidavit and may make an application to the Federal Court to dispute any claim filed, but such application shall not be filed later than 15 September, 1979.

The right of all claimants in rem against the vessel 'Pisces V' to the proceeds of the sale paid into court and all questions respecting priorities are reserved.

Arthur Pickering,
Deputy Sheriff,
For Marshal,
Province of British Columbia.

PUBLIC NOTICES

CLWYD COUNTY COUNCIL
£1,000,000 Bills issued 3rd July 1979 due 2nd October 1979 at a rate of 13¼%. Total applications £5,500,000. Total outstanding £3,000,000.

GRAVESHAM BOROUGH COUNCIL BILLS
£500,000 Bills maturing on 3rd October 1979 were offered and issued on 4th July 1979 at an average rate of 13 23-64% p.a. Total applications for this issue amounted to £3,500,000 and these are the only bills in issue.

Steadier early Wall St. on technical factors

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—25¾% (27%)

Effective $2.2030 6½% (6¼%)

AFTER MONDAY'S broad retreat on oil worries, Wall Street eased a shade further at the outset yesterday, but subsequently hardened to leave gains holding a slight lead over declines at mid-session.

The Dow Jones Industrial Average, down 8 points the previous day, was 0.35 harder at $834.39 at 1 pm, after further slipping to $832.51 at 11.00 am. The NYSE All Common Index recouped an initial fresh loss of 7 cents to rule unchanged on the overnight level at $57.86. Turnover decreased to 19.54m shares from Monday's 1 pm figure of 21.72m.

Closing prices and market reports were not available for this edition.

Analysts attributed the improvement to technical factors, stating that most investors wishing to sell ahead of the Fourth of July holiday did so on Monday and early yesterday morning.

There was little reaction to the Commerce Department reports, announced Monday, of a 3 per cent rise in new orders for manufactured goods in May and a 2.2 per cent increase in construction spending.

Du Pont gained $1 to $41 and Merck ¾ to $66⅛, while IBM were unchanged at $72⅜.

CIT Financial rose 3⅛ to $43⅞. Last week, the company cited speculation of a possible bid for the company for unusual activity in its stock.

Caesar's World lost ¼ to $27⅛. The company said it could have a net loss for the fourth quarter because of charges related to its hotel/casino in Atlantic City.

Exxon, off ⅜ at $55⅜, stated that the FTC believes its proposal to acquire Reliance Electric "gives rise to serious anti-trust concern." Reliance Electric slipped 1½ to $52⅞.

Harnischfeger, which fell 6½ on Monday, picked up 1⅜ to $20. It said the previous day that a preliminary injunction granted to halt Paccar's proposed tender offer for Harnischfeger may mean the end of the Paccar bid.

THE AMERICAN SE Market Value Index managed to recover 0.24 to 199.23 at 1 pm. Volume 2.05m shares (2.25m).

Resorts International "A," the most active Amex issue, advanced 1⅞ to $46⅞, but Colonial Commercial receded 1⅛ to $10⅛.

Canada

A widespread decline occurred in heavy dealings yesterday morning following the holiday-lengthened week-end.

The Toronto Composite Index fell 10.7 to 1,607.9 at noon, while Oils and Gas receded 25.1 to 2,838.6, Metals and Minerals 22.7 to 1,366.7 and Golds 10.6 to 1,867.4. In Montreal, Utilities retreated 2.02 to 236.91, but Banks gained 1.40 to 307.53.

Allarco Developments, the most active Toronto issue on 80,000 shares, climbed 6½ to C$52¼. Carma Developers said it will make a cash offer on the Toronto Exchange for 300,000 Allarco shares at a price of C$52¼.

Falconbridge Nickel "A" declined C$2 to C$65, Hudson's Bay Oil also C$2 to C$74 and Home Oil "A" 1½ to C$67.

Germany

With heavy foreign institutional buying of leading stocks taking place, the market staged a good rally yesterday.

The strong buying was apparently stimulated by the relatively low prices of many well-known West German stocks and left the Commerzbank Index up 11.4 at 733.6.

Besides bargain-hunting, some observers cited a number of other factors spurring the market ahead.

They said that the Bundesbank's failure to tighten credit last week after what were considered veiled public warnings by Central Bank President Otmar Emminger boosted shares, with investors thinking the Bundesbank would not pull the credit reins after all.

Other observers thought the nomination of Franz Josef Strauss, Conservative Prime Minister of Bavaria, as the 1980 candidate for Chancellor of Germany representing both centre-right parties boosted the stock market. Strauss is seen as a forceful, if controversial, Conservative candidate, whose election could be regarded as favourable for business.

Internationally-known shares registered sharp rises, with Volkswagen gaining DM 6.50, Deutsche Bank DM 4.20, BASF DM 2.20 and Bayer DM 1.10.

Market sources said Volkswagen's rise came on the eve of the company's annual meeting in Berlin today where Volkswagen chief Toni Schmucker is expected to announce full details of a DM 5.6m investment programme and possibly disclose results for the first half of 1979.

Also moving Utilities upward was expectation that the West German Government would announce an energy-saving programme today which could mean more business for the Utilities in developing alternative energy sources and energy-saving processes.

On the Domestic Bond market, interest concentrated on the new Federal Government Loan, with operators expecting a smooth placement. Older Public Authority issues rose by up to 30 pfennigs and the Bundesbank sold DM 32.1m nominal of paper after sales of DM 10.6m on Monday. Mark Foreign Bonds gained up to 50 pfennigs.

Tokyo

Market retained a firming tendency in fairly active dealings, with the Nikkei-Dow Jones Average adding 19.94 at 6,303.08 and the Tokyo S.E. index 1.29 at 448.89. Volume came to 350m shares, compared with Monday's 360m.

Brokers said, however, that there was "no sharp focus" in Tuesday's trading, with profit-taking occurring in some sectors. Investors were cautious, watching how the latest crude price increases by the Organisation of Petroleum Exporting Countries will affect the market.

Steels and Heavy Electricals were in demand on anticipated good earnings prospects. Trading Houses, Chemicals, Textiles and Foods were also favoured, while buying interest revived in export-orientated Light Electricals.

Nippon Steel put on Y3 to Y128, Sumitomo Metal Y4 to Y134, Sony Y30 to Y2,070, Pioneer Electronic Y20 to Y2,030, Mitsubishi Y24 to Y504, Mitsui Y8 to Y323 and Toyota Motor Y9 to Y889.

In contrast, Canon declined Y9 to Y531, while Shipbuildings finished lower on profit-taking.

Paris

Stock prices were mixed to lower in moderate trading, with Saudi Arabia's proposed oil output increase a positive factor but Wall Street's overnight fall and the French franc's weakness against the dollar and sterling adversely affecting sentiment.

Banks, Mechanicals and Stores generally improved, but Motors, Electricals, Metals, Oils and Chemicals drifted lower.

Credit Foncier were up 6 per cent, but Fraissinet contrasted with a fall of 7 per cent.

Australia

Uranium issues continued to move ahead strongly yesterday, still fortified by British Prime Minister Margaret Thatcher's reassurance that the difficulties currently preventing the Australian sale of uranium to the European Community would be overcome.

Pancontinental advanced another 90 cents to A$13.60. Kathleen Investments closed 25 cents higher at A$3.65 for a two-day rise of 45 cents, while its partner in the Nabarlek project in the Northern Territory, Queensland Mines, rose 28 cents more to A$3.50.

The Oils sector, after its recent buoyant performance, was somewhat restrained by profit-taking, but closed firmer for choice. Magellan Oil reacted 10 cents to A$2.90, but other companies connected with the Mereenie project in the Northern Territory were higher.

In earlier trading, a bullish statement from Prime Minister Malcolm Fraser saw the Oil Shale twins move well ahead, but their gains were later whittled away as traders pondered the couple's A$4m share placement, announced on Monday. Central Pacific Petroleum were finally 20 cents easier at A$14.80 and Southern Pacific a net 4 cents off at A$6.06.

Market leader BHP, having risen 62 cents over the past two business days on its oil drilling interests, met a good deal of profit-taking and receded 26 cents to A$9.30.

Johannesburg

Diamond leader De Beers extended Monday's strong rise of 17 cents to close 8 cents higher at R8.45 on unconfirmed market talk of favourable prospects for a new mine in South Africa. Interest was mainly local.

Golds were quietly mixed, while Mining Financials were mainly little changed. Coppers and Platinums lost a few cents in places.

Hong Kong

After Monday's holiday closure, the market was in easier mood yesterday in quiet trading, with operators nervous following the OPEC meeting in Geneva and on continuing fears of an expansion of loan demand. The Hang Seng index shed 3.41 to 535.91.

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM 50 denom. unless otherwise stated, yields based on net dividends plus tax.
♥ Pta 500 denom. unless otherwise stated.
♣ DKr 100 denom. unless otherwise stated.
✚ SwFr 500 denom. and Bearer shares unless otherwise stated. ¶ Y50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

Indices

NEW YORK —DOW JONES

	July 2	June 29	June 28	June 27	June 26	June 25	1979 High	1979 Low	Since Compil'n High	Since Compil'n Low
◆ Industr'ls	834.04	841.98	843.04	840.52	837.68	844.25	878.72 (10/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.78	85.0[illegible]	85.85	85.70	85.85	85.35	85.88 (2/2)	82.82 (8/6)	—	—
Transport	241.53	242.26	242.88	241.92	238.82	240.85	246.97 (12/6)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities	105.21	105.48	105.55	105.48	105.26	105.11	105.25 (15/6)	98.51 (15/6)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	33,170	34,540	38,540	36,750	34,848	31,420	—	—	—	—

◆ Day's high 840.61 low 830.46

	June 29	June 22	June 15	Year ago (approx)
Ind. div. yield %	5.72	5.87	6.01	5.71

STANDARD AND POORS

	July 2	June 29	June 28	June 27	June 26	June 25	1979 High	1979 Low	Since Cmpl'tn High	Since Cmpl'tn Low
‡Indust'ls	115.05	114.14	115.89	115.40	112.75	113.28	116.68 (9/1)	107.08 (27/2)	134.54 (11/1/73)	3.52 (30/6/32)
‡Composite	101.93	102.91	102.90	102.27	101.66	102.09	103.54 (18/4)	96.13 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	June 20	June 13	June 6	Year ago (approx)
Ind. div. yield %	5.50	5.24	5.26	5.07
Ind. P/E Ratio	7.91	7.98	7.92	9.11
Lor Gov. Bond Yield	8.87	8.81	8.95	8.52

N.Y.S.E. ALL COMMON

July 2	June 29	June 28	June 27	1979 High	1979 Low
57.86	58.38	58.33	58.01	58.38 (29/6)	53.88 (27/2)

Rises and Falls

	July 2	June 29	June 28
Issues Traded	1,882	1,871	[illegible]
Rises	417	747	[illegible]
Falls	1,095	733	[illegible]
Unchanged	369	391	[illegible]
New Highs	59	93	[illegible]
New Lows	22	12	[illegible]

MONTREAL

	July 2	June 29	June 28	June 27	1979 High	1979 Low
Industrial	(e)	279.19	278.56	277.28	279.19 (29/6)	218.19 (2/1)
Combined	(e)	275.15	274.42	273.52	275.15 (29/6)	235.30 (2/1)
TORONTO Composite	(e)	1618.4	1614.4	1611.6	1618.4 (29/6)	1315.8 (2/1)
JOHANNESBURG Gold	299.0	295.4	300.3	305.4	308.4 (25/6)	228.4 (17/1)
JOHANNESBURG Industrial	307.4	303.7	310.8	301.1	308.0 (25/6)	270.5 (2/1)

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Banks Ltd.	14 %	■ Hill Samuel	§14 %
Amro Bank	14 %	C. Hoare & Co.	†14 %
American Express Bk.	14 %	Julian S. Hodge	15 %
A P Bank Ltd.	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Industrial Bk. of Scot.	14½%
Associates Cap. Corp.	14 %	Keyser Ullmann	14 %
Banco de Bilbao	14 %	Knowsley & Co. Ltd.	15½%
Bank of Credit & Cmce.	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	London Mercantile	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	15 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	14 %
Bremar Holdings Ltd.	15 %	National Westminster	14 %
Brit. Bank of Mid. East	14 %	Norwich General Trust	14 %
■ Brown Shipley	14 %	P. S. Refson & Co.	14 %
Canada Perm't Trust	14 %	Rossminster	14 %
Cayzer Ltd.	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Cedar Holdings	14 %	Schlesinger Limited	14 %
■ Charterhouse Japhet	14 %	E. S. Schwab	15 %
Choulartons	14 %	Security Trust Co. Ltd.	15 %
C. E. Coates	14 %	Shenley Trust	16 %
Consolidated Credits	14 %	Standard Chartered	14 %
Co-operative Bank	*14 %	Trade Dev. Bank	14 %
Corinthian Secs.	14 %	Trustee Savings Bank	14 %
Credit Lyonnais	14 %	Twentieth Century Bk.	15 %
The Cyprus Popular Bk.	14 %	United Bank of Kuwait	14 %
Duncan Lawrie	14 %	Whiteaway Laidlaw	14½%
Eagil Trust	14 %	Williams & Glyn's	14 %
English Transcont.	14 %	Yorkshire Bank	14 %
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		
■ Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12%, and over £25,000 12½%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

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Isle of Man

The Millennium may be more a publicity ploy than a serious historical event, but it attracts the holidaymakers to the island needs. While the traditional industries—agriculture, fishing and tourism—are in the doldrums, there is strong growth in both the financial and construction sectors.

Economy ready to move

By Anthony Moreton, Regional Affairs Correspondent

THE QUEEN and the Duke of Edinburgh arrive in the Isle of Man tomorrow for the climax of the island's Millennium celebrations. All the year there has been a steady stream of "royals," and leading notabilities, such as the President of Malta and the President of Iceland, and the King of Norway is still to come.

Today, to emphasise their Norse heritage, a party of 16 "Vikings" land at Peel after rowing in a long boat from Scandinavia much as the original invaders would have done. Actually, seven of the 16 are Manxmen who flew over to Norway to take part in the symbolic (and highly publicity conscious) event.

It is all great fun—which is what the Millennium is. Few people on the island treat it seriously as a historical event; the Isle of Man Parliament probably did come into some sort of existence about 1,000 years ago, but it could have been 1,100 years or 900 years—no one is certain.

Worries

The Millennium is really about attracting holidaymakers to the island and it makes good publicity. Next year there will be another ploy. It's all good for business. The island needs more tourists if it is to move forward economically again. At the moment the economy is pretty flat, but this disguises important changes which are taking place in its structure.

Traditional industries, such as agriculture, fishing and tourism, are fairly flat, whereas there is strong growth in both the financial and construction sectors and, to a lesser extent, in engineering. There are some worries at the way in which construction is forging ahead but nothing but delight at the consolidation of the other two.

The financial sector now accounts for just over 29 per cent of the Manx national income, a rise of three points in the past year; manufacturing takes a 13 per cent share. Tourism, once the mainstay of the economy, now lags behind these two.

The strength of the financial sector and the growth of the island's economy stems from two factors. In the 1940s and 1950s the island was a depressed area with high unemployment (into double figures) and a declining population as the younger men and women moved to the mainland UK to seek work. Then, in 1961, surtax was abolished, leading to a revision of all taxes and the eventual establishment of the island as a low-tax centre. Today there are virtually no capital taxes, income tax has been reduced to 20.5p in the pound and is strongly expected to be cut again next spring to 20p.

The island's position as a low-tax centre (a move it could take because constitutionally it is a crown dependency and not part of the UK) was enhanced in 1972 when the Sterling Area was ended and the scheduled territories virtually comprised the Isle of Man, Jersey and Guernsey.

This move meant that the Isle of Man could offer enormous advantages to non-resident UK nationals—people working in the Middle East or South America, for example—as well as to UK nationals who renounced their British residence and established themselves on the island. Wealthy immigrants moved to the Isle of Man and companies followed to provide the services for those working abroad who did not want to remit their salaries to the UK and thus have to pay UK rates of tax.

The result has been the establishment on the island of 36 banks (with two more in the pipeline) and a large number of companies. Last year a record 2,168 companies were registered, 379 more than in the previous year. When liquidations from the register were taken into account, there was a net increase of 1,733 last year compared with 1,606 the previous year.

All the major British banks are now established on the island, and last year's new arrivals were the Northern Ireland Industrial Bank, the Northern Bank (a subsidiary of the Midland) and two smaller ones from the Irish republic, Fitzwilliam Bank and the Irish Commercial Bank.

What the Isle of Man lacks, and what it would like, is a leading foreign bank. The only overseas name among the list is the Bank of Credit and Commerce International, which is now on the point of opening after an 18-month gestation period.

Another important newcomer this year has been ICFC (Isle of Man) a subsidiary of the Industrial and Commercial Finance Corporation, not a bank but an organisation which offers a wide range of financial services. ICFC offers money in the range of £5,000 to £2m on first application in the form of unsecured loans, secured loans and debentures, ordinary shares, redeemable or irredeemable preference shares, and leasing facilities for development purposes.

ICFC has arrived at a strategically important moment. The Government has just repealed the Usury Act, which limited the rate of interest that could be charged on loans to 12½ per cent. Because of this limitation institutions were chary about lending risk capital when they could just as easily get this return, with absolute safety, by investing in the money market in London. Only the Government, in effect, was a lender of risk capital, and its resources were naturally not infinite, thereby holding back essential and necessary developments.

There is, in the words of one financial manager, money "simply sloshing about" on the island, and the ending of this clause in the Usury Act will unlock this finance for private developments. It is possible that the repeal of this Act will have as great an effect on the economy as the abolition of surtax did nearly two decades ago because so much capital spending is needed on the island.

This is particularly so in tourism, where if the Isle of Man is to develop new facilities, such as hotels, yacht marinas and more self-catering facilities (a very big growth area), much capital spending is essential. Douglas, in particular, still needs enormous amounts of money spent to bring its holiday facilities up to date if it is either to lure the holidaymaker who now goes to the Costas or attract the second-holiday family.

One small development has taken place this year with the addition of 39 bedrooms at the Palace Hotel on Douglas's long Edwardian seafront, but there has been little other major spending in this important sector.

Not everyone in public life welcomes the repeal of the Usury Act unreservedly. The Manx people are a very conservative lot, and it is sometimes felt that the replacement of the Government by private industry as a source of capital is not something to be welcomed wholeheartedly.

There are also fears among some officials that the construction industry could become overheated if lending rises sharply. This overheating is a potentially serious problem because it is not easy to recruit new or additional workers from the mainland under the work-permit scheme. Officially, a work permit will not be granted if there is a Manxman who can do the job or if there is likely to be one available. This rule has led to some curious, and sub-standard, management appointments being made.

Since the island has full employment at the moment—there are just 231 people out of work, which merely represents those changing jobs—then more work permits will have to be issued, especially for the building trades, if new capital projects go ahead. But this runs up against the need to contain population growth to acceptable limits in order that the essential character of the island is maintained.

Elsewhere in the financial field little progress has been made during the past 12 months in attracting in more captive insurance companies (companies insuring their own business). Legislation has been passed which allows the underwriting profits of captives to be free of tax although investment income is taxed. Provision has also been made for the Finance Board to make an Order specifying the rate of interest at which a captive can lend back to its parent, and this has been fixed at 5 per cent below UK minimum lending rate.

The original intention was to free captives of all taxes in order to attract such companies from Bermuda (one of their big homes) when the political situation there became less stable. But what the Isle of Man has ended up with is a situation very similar to that existing in Guernsey, except that the Manx Government does not allow non-resident captives. No companies have recently registered as captives, though this does not mean that some might not have come in since a concern only registers as such if it has the word "insurance" in its title.

One other potentially important development has been the setting up of a shipping register. The Isle of Man is seeking to attract in shipping companies to take advantage of its tax rates while at the same time complying with British standards of safety and labour regulations. It accepts that there will always be some owners who want to fly under the Liberian of Panamanian flags, but it feels there are others who want to comply with the strict British regulations and still work to lower tax levels. Given the deflated state of world shipping, this is not likely to lead to immediate benefits but is an example of the way in which the Manx authorities are continually looking ahead to ways of developing their financial services.

Wealthy

Although the economy is pretty stagnant at the moment, the Isle of Man is, in fact, immensely wealthy. Not all that wealth, however, is being translated into material standards for its people. To some extent that is because the people do not take kindly to change and certainly they abhor rapid change.

Change, though, is taking place and if the wealth that is largely bottled up could be uncorked then the massive improvement in standards would mean that the island would have no need to look somewhat enviously over its shoulder at Jersey and Guernsey. The repeal of the Usury Act has opened the way: such change may not come in the next 12 months, but it is undoubtedly on the way.

VAT rise angers nationalists

MAN IS an island which particularly during the past 12 months, has debated at length whether it really should become entire of itself.

It is at loggerheads with the European Court of Human Rights in Strasbourg, which *insists that the island parliament*, Tynwald, should repeal its birching law—a punishment which continues to have the *wholehearted support of most* islanders.

It is also in trouble with the EEC Commission over Tynwald's decision last year to stop charging monetary compensation amounts (MCAs) on its farmers' exports to Europe—a decision which may yet land the island in the European Court of Justice.

More immediately, there is widespread discontent with the existing form of the island's ties with London. The debate has *been sharpened by the fact* that the Manx people are facing an influx of newcomers in numbers which many believe threaten to swamp a *still* thriving sense of national identity.

Since most of these problems arise directly out of the island's status as a Crown dependency, under which the Isle of Man—like the Channel Islands—has almost complete domestic autonomy except for matters of defence and international obligations, which rest with Westminster, one *extreme* line of argument runs that the ties with the UK should be cut completely.

This attitude largely prompted the formation of Mec Vannin, a hard-line nationalist group which contested 10 of the 24 House of Keys (Lower House) seats at the last general election, and the appearance of the somewhat less militant Manx Nationalist party.

In the event, however, the Manx Nationalists secured only *one seat while Mec Vannin is* unrepresented, underlining the fact that despite all the rumblings the Manx are a conservative nation prone to look long before doing much of anything, let alone leaping. (Not for nothing is "traa di looar"—time enough—still a popular catchphrase on the island).

So Tynwald has yet really to decide just how far it is prepared to push confrontation with both Westminster and Brussels over European issues—under its Treaty of Rome obligations the UK has been obliged to tell the island to back down on both the birching and MCA *issues. And despite* all the problems, few expect that a totally independent Isle of Man will become a reality.

What is certain, however, is that the Common Purse Agreement, a cornerstone of Manx-UK relations, is about to undergo changes of potentially great significance to the island.

Under the agreement the island pays the UK for some services, notably defence, and for the VAT and excise-collecting service provided by the Customs and Excise in Douglas. The net revenue goes into a common purse estimated this year to be worth £19m. But part of the deal also provides that the island must toe whatever line Westminster decides to take on VAT—and if the mainland found Sir Geoffrey Howe's new overall level of 15 per cent hard to swallow, on the island it has gone down about as well as a dose of swallowed weedkiller.

Criticisms

Coming at a time when the Finance Board, which administers the island's finances, has just hammered out the heads of a new agreement with Whitehall to cover at least some of the existing criticisms of the Common Purse arrangement, the new VAT level threatens to bring renewed and vehement calls for its abrogation.

There had been long-standing pressure for change from three quarters—from those seeking greater autonomy for the island's finances in principle, and from the tourism and financial sectors.

Even before the latest swingeing increase the prevailing VAT level was under heavy attack from the *island's tourist* industry, which considers the UK-imposed VAT level to be an unnecessary millstone around its neck and which wants the creation of duty-free facilities (a valuable offset, it is argued, to the cost of getting to the island).

The concern of the rapidly growing finance sector, which now accounts for 29 per cent of the island's income and which promises probably most growth in the future, is based *on appearances rather* than substance. The presence of UK Customs officials, particularly VAT inspectors with the statutory right to inspect the books of all companies and individuals, is not exactly encouraging potential foreign investors attracted by the island's tax haven status—all assurances that no information is passed on to the UK authorities notwithstanding.

A Finance Board report about to be presented to Tynwald will *say that the financial sector's* worries, at least, are about to be resolved: that the basis of an agreement has been reached under which the island will take over the UK's tax-collecting operations from April next year and the "Common Purse" title scrapped in favour of something more innocuous, such as a "customs union" accord.

So far, a Select Committee of Tynwald set up 30 months ago has felt itself able to say that, despite a management consultants' report commissioned by Tynwald which recommended abrogation as the course most favourable to the island economy, the Manx people at large were not in favour of such a drastic step.

But the UK's latest VAT move has produced an uproar, one manifestation of which is the Manx Nationalists' plan to take up the islanders' right to present a Tynwald Day petition to the island's parliament tomorrow—at the Millenium Day sitting at which the Queen will also be present. It is expected to make a straightforward demand for abrogation.

Given the widely-differing nature of the two economies, only by accident could one level of indirect taxes suit both *parties. Now,* Mr. Percy Radcliffe, the island's Treasurer, has told Tynwald that the Finance Board will have to take a long look at the new VAT rates' implications "not only in terms of increased receipts estimated at £2.9m this year, but also on additional expenditure—for example higher pay—which may cost £2-£2½m extra this year, and of the impact of a higher rate of inflation on the purchase of £400m of goods and services."

Impact

While the Finance Board has insisted it will not be "panicked into any hasty moves," it has announced that it is considering "reducing the impact" of VAT from April next year.

Just what form that help might take is far from clear. The Select Committee has already raised the zero-rating of hotel accommodation and lower duty on tobacco and alcohol as *possibilities in studying the* case for as against abrogation, although it has been made clear that lower duty on drinks and tobacco, and the provision of duty free facilities, are acceptable only as a possible by-product of abrogation rather than a reason for undertaking it.

Whether any substantial changes on VAT or excise duty levels can be steered through short of abrogation, however, is very much in doubt.

If the agreement should be abrogated, the island, apart from having to set up its own revenue-collecting operations and customs barriers, stands to lose the stability *of its guaranteed* share of both its own and UK indirect taxes; and even if it is currently faring somewhat better than the mainland, officials are well aware that in such a small and potentially vulnerable economy the position would well be reversed.

On the basis of the Irish Republic's experience so far, the setting up of customs barriers with the UK would not appear to justify manufacturing industry's fears of higher transport and administrative costs. But the island would certainly feel the loss of other financial arrangements, such as its receipts from EEC common customs duties.

Meanwhile, the birching and MCAs issues rumble on: there was some expectation, when Strasbourg ruled birching to be degrading last year, that without any *formal repeal*, the island would allow the practice to die and the statute become as irrelevant as the centuries-*old one which* once allowed "Scots and pirates" to be hanged on sight.

Certainly, no-one has been birched since the Strasbourg ruling. But late last month Tynwald decided to take the issue back into Europe and to ask Britain to get the island exempted from the European Convention of Human Rights' ban on the birch.

If that doesn't work, or Britain refuses, Tynwald will probably enact legislation withdrawing from the convention and enacting its own human rights Bill. But under the present constitutional ties with the *UK such a Bill would still need* Royal Assent and many doubt that this would be forthcoming. It is a situation which, if the *islanders decide to press their* case hard, could in itself lead to a constitutional confrontation within the year.

The first clouds of controversy over the island's Common Agricultural Policy commitments gathered over the island last summer, when Tynwald stopped imposing MCAs on exports to Europe from the island's 800 *farms*, arguing that under the special Protocol 3 arrangements negotiated for the Isle of Man and Channel Islands on Britain's *EEC entry it does not have to* contribute to EEC finances (among other exemptions, it is not party to the EEC agreement on free movement of labour).

MCAs are an EEC levy, in the island's case of almost one-third, to bring farm exports up to EEC price levels. Although the island's farm output is minute compared with overall European agricultural output, nevertheless Manx farmers now have a major competitive edge in Europe.

But in February, the EEC Commission told Britain bluntly that the island was now in breach of the Community's free-market rules and as its representative Britain had better do something about it. The "suggestion" has been passed down the line but the Manx government has yet to formulate its reply.

Quite what will happen if it proves obdurate is a matter of confusion in Douglas, London and Brussels—whether, for instance, if the Commission is equally resolved, it would be Britain or the island which winds up in the European dock. There are some signs, however, that on this issue at least the feeling on the island is that it might indeed have over-stepped the mark and that this is one area in which is might have to climb down.

John Griffiths

The oldest parliament in session

WHILE THE POPULAR image of the Vikings is that they were seaborne raiders who descended from their fastnesses in what is modern Scandinavia and spread rape and pillage along the coasts of northern Europe, the British Isles and as far afield as the Mediterranean, there was another more lasting side to them.

It is this aspect — the lawmakers and traders — which the Manx people will celebrate today when they gather at St. John's for the open-air sitting of their ancient Parliament, the Tynwald, which was founded by the Vikings.

In the Christian calendar, this is St. John the Baptist's Day, and in the ancient calendar Midsummer Day. It is perhaps the latter that is more significant in relation to the Tynwald. Manx historian J. J. Kneen is quite certain that there is a relationship between sun-worshipping and the Manx Midsummer Fair, held on Tynwald Day. The Vikings were certainly sun-worshippers.

There is another significant link with the sun. The oldest written instruction for the sitting of the Tynwald lay down that the Lord of Man shall sit on the hill with his face to the east, towards the rising sun.

There is *also* a Celtic *link*. Mannanin, the magician god-king who when danger or strangers approach the island *spreads a mantle of mist over* it, lived, according to tradition, on Cronk-ny-irrey-lhaa, the hill of the rising sun, and he was worshipped.

So it is quite possible that when the Viking Kings of Man and the Isles held their Tynwald on *July 5 proceedings* opened with a sacrifice to the sun. That would have provided a link between the Viking *overlords and the* conquered Celts who were trying to come to terms with their new masters.

Tomorrow when Tynwald meets there will be no such opening sacrifice. The *members* of Tynwald, headed by the Lord *of Man—the Queen in the Isle* of Man—will assemble in the little church dedicated to St. John the Baptist for service *before moving in procession* along a rush-strewn path to the artificial mound, traditionally made from soil from each of the 17 ancient parishes in the island, which is Tynwald Hill.

No one is quite sure why St. John's was chosen but it seems likely that it was because it was reasonably accessible from all parts of the island, and close to a safe haven for the craft which brought the representatives of the people of the Hebrides who were part of the Viking kingdom.

In Viking days it is more than likely that as the people gathered before the court there were inevitable squabbles, so the opening of the modern St. John's Tynwald reflects that era. The first person to speak from Tynwald Hill is the Coroner of Glenfaba, a Crown officer peculiar to the island who has very wide powers. He calls for order by "fencing" the Court, which in olden days must have meant the Lord's men bringing order to the assembly.

Right

While Tynwald today is a legislative body it was originally the only court of law, and that *is why at the* open air sitting there is a right among the people to present petitions to the Lord of Man for the righting *of grievances. This right has* been carefully protected, and this year at least one petition will be presented in due form. This will be by the *Manx* National Party, whose grievance is the impact of the changed VAT rate on the Manx people *who had no vote for the British* Government which made the change. They will be seeking the speeding up of the long negotiations which have been carried on for the ending of the Common Purse agreement which meant the automatic application of the higher VAT rate to the Isle of Man.

Then the lawmen, the deemsters, take over. It is their duty to *proclaim* to the assembly, in Manx and English, the laws passed by Tynwald during the past year. Until World War I this was the only Tynwald sitting at which laws could be promulgated, and while now it is only the short titles of the new laws which are read at one time the whole Acts were read. That must have meant at times very long sittings.

While today the deemsters, judges of the Manx High Court, proclaim the new laws, tradition has it that at one time they recited to the assembly the law as they knew it. Certainly it is very likely that the St. John's Tynwald was also a *law* court, and the place where major criminal trials were held.

Supporting that tradition is *another—that the Coroner of* Glenfaba was also the court's executioner. He could refuse that duty, but if he did so that the duty *fell to the deemster* who passed sentence.

There is another piece of Manx folklore which suggests *that Tynwald was a law court.* Overlooking the Tynwald Hill is the steeply sloped Slieu Whallian, where those who were *suspected of witchcraft faced* trial by ordeal. They were placed at the top of the hill in a barrel lined with spikes and *rolled down it.* If they died they were innocent; if they were witches and survived, well the Lord of Man and his deemsters could deal with them.

When the business of the sitting is over the procession reforms, and headed by the *Lord of Man returns to the* church. But while they have been sitting on Tynwald Hill there has been a transformation in the church. *It has become* for just a few minutes a parliamentary chamber. The Lord of Man sits in the chancel, with the members of the Legislative Council, the Upper House. Just outside the rails where communion is normally celebrated sit the members of the House of Keys. There is only one item of business, the formal certification of the Acts promulgated from Tynwald Hill. This is also carried out in traditional form with the Lord of Man and the Speaker of the House of Keys *signing with quill pens.* Then Tynwald formally adjourns and the *fair* starts.

While the day centred round the *legal* proceedings at Tynwald Hill it was also a day when people met together and bought and sold articles they had made. It was in fact a midsummer fair, and there can be little doubt that many who had set out early from Ayre or Rushen to attend the fair spent the night huddled under a hedge at the fairground before setting off back home in daylight, because few Manxmen would venture a night journey in case the "bugganes" caught up with them.

W. R. Clucas

Uneven tourist season

ANYONE WHO visits the Isle of Man during TT week in June would find it hard to believe that the island is not one of the leading tourist areas in the UK. The motor cycle races attract some 50,000 visitors and Douglas seems to be taken over by them and their motor bikes (13,000, all of them seemingly on the roads at the same time).

During this week and a less important race week in late summer these visitors bring in about £1m revenue to the Manx Government and between £4.5m and £5m to the island as a whole. This is a not inconsiderable share of the total spending by holidaymakers on the island.

The motorcyclists, however, encapsulate very neatly the problem the island has in attracting holidaymakers. Within a short season there are bunched peaks of activity; for a long spell during the year facilities are under-utilised; the visitors are too heavily concentrated among the lower income groups.

The leather-clad motorcyclists and their girl friends spend very little individually. Many of them stay in tents or the cheaper guest houses, most of them seem to sustain themselves out of the fish-and-chip shops and Chinese takeaways and probably most of their remaining cash goes in the pubs or cheap gift shops.

The authorities are aware of this and of the fact that during the summer their appeal is mostly concentrated on those who would otherwise go to Blackpool, Morecambe or Scarborough and see Douglas as Blackpool with a sea trip thrown in.

The result of this concentration of visitors from Scotland and the North of England is that little has been spent on updating facilities to the sort of standards that holidaymakers take for granted in Spain or Yugoslavia or the Italian Adriatic coast. Guest houses now boast of having handbasins in each room but few hotels have bedrooms with lavatory and bathroom en suite.

Facilities

The story is told of one seafront guest house landlady who was inspected by the licensing authorities and told that her facilities—namely one lavatory for a dozen or more guests—was just not good enough and that she must do something about it.

A couple of weeks later she called the authorities and told them that changes had been made and would they like to inspect them.

When the inspector arrived he was ushered upstairs and shown a row of chairs outside the lavatory door. On inquiring what the alleged improvements were he was told that people could now sit on the chairs while waiting their turn.

The pity of the situation is that the island has many excellent facilities and the potential to attract a lot of visitors. Its scenery is superb, it is pollution-free and it has small supplies of a lot of things that many holidaymakers want: golf, pony trekking, yachting, peace and quiet and fine walking. What it does not have is any of these facilities in large enough quantities to cater for considerable numbers or sufficient high-quality amenities to attract the holidaymaker more than once.

As a result tourism has declined in importance as a contributor to the economy. At one time it was the most important mainstay; now it lags far behind the financial sector and behind a small but growing manufacturing sector.

There was some slight recovery last year in the numbers arriving but compared with the good summers of 1975 and 1976 no real improvement has been made. This year could turn out to be better but it is far too early to be sure.

During the past couple of years there has even been a contraction in the number of beds available for letting. Curiously, though, this might help to improve matters in the long run because it will be the inferior facilities, on the whole, which have put up the shutters, leaving the standard of those remaining higher on average.

The prime need though is undoubtedly for more and better hotels. Without these the higher income groups will certainly not see the island as a place to visit.

Some small steps have been made. The Palace Hotel, in the middle of Douglas's seafront, has just added a 30-bedroom extension and there are some restaurants in the country which offer services as good as anything to be found in the UK.

But it is too little and unless a strong drive is put into tourism it will be too late.

Mr. George Carter, acting director of tourism, is well aware of what needs to be done. "We would like more and better-class hotels to attract more and better-off visitors but we have a constant struggle to attract visitors who live anywhere south of Birmingham. There is a blockage about going north for holidays and we suffer from it."

Mr. Carter points out that the island is not sitting idly twiddling its thumbs. The big, and rising, demand at the moment is for self-catering accommodation and considerable amounts are being put into converting existing premises or building new units.

Next year a complete register of all hotels and guest houses is to be compiled, together with a classification of hotels. "Someone coming for the first time ought to have some idea of the sort of hotel he is going to," states Mr. Carter.

But the problem is to persuade hoteliers to plough back their profits into bedside phones, lifts, TV in rooms and night porters. The Manx people are an easy-going race and expect people to visit them for what they have to offer rather than go out and compete vigorously for trade. Unfortunately for them, the rest of the world has changed.

Changes are being made, though. The Isle of Man now has a permanent representative in Dublin and one of the encouraging consequences is a big increase in the numbers coming from the Irish Republic with which the island has ethnic links. There has also been a steady flow of holidaymakers from Northern Ireland.

A representative is also to be appointed in London to cover the South of England and earlier this year some 30,000 school children were brought to the island on educational day trips, a feature which is sure to be repeated next year.

What is needed, though, is a greater commitment by the Manx Government to the needs of holidaymakers if this sector of the economy is to perk up. Apart from the essential spending on hotels there is scope for more golf courses, for a marina to attract yachtsmen who now sail from Lancashire and North Wales to southern Ireland, for a link with the airlines to introduce package holidays, for a more active "selling" of the island in Britain.

Such steps might seem almost heretical to a placid people but they are essential if tourism is to prosper again. There is one other important reason why this must be done; unless it is the growing financial sector will get to the point where it will dominate the economy in a potentially unhealthy way. Some politicians and a lot of officials understand that. But do enough of them?

Anthony Moreton

Riders on the beach at Peel, one of the island's resorts

Industry revives

THE MANUFACTURING sector is the second most important in the Isle of Man's economy. After a long period in which it has been in the doldrums unofficial reports indicate that there is now more buoyancy in it than for several years.

As recently as the early 1970s it was the most important part of the island's economy outside government services, but then in about 1972 the fast-rising financial sector overtook it and it now lags a long way behind in second place.

Twice in this period manufacturing has even been overtaken by the tourist industry but in 1977-78, the last year for which official figures are available, it accounted for 12.6 per cent of the income generated on the island compared with 10.8 per cent for tourism.

Over most of this period income generated by manufacturing industry at current 1977 prices has been almost flat. In fiscal 1970-71 it amounted to £14.56m and in 1977-78 it was £14.51m. In only one year was there any improvement and that was 1974-75 when it jumped to £19m, quickly falling back the following year.

And compared with 1969-70 there has been a great falling-off in the importance of this part of the economy because output then (again at 1977 prices) was £18.79m.

Relief

It is because of this flat nature of the sector that the indications of buoyancy now apparent are being greeted with what amounts almost to relief. Unfortunately, because of the length of time between official figures being collected and published it probably will be another year before it can be proved whether the optimists are right.

Few people on the island want to see the manufacturing sector remain in low gear. The island is having so much success in attracting business to its financial sector that there is a serious possibility that the economy might become unbalanced and unhealthily dependent on this service industry.

Since 1970 the finance sector has tripled in importance and now accounts for almost a third of all the income generated on the island and with its continuing strength is bound to forge ahead. The authorities are clearly anxious to keep a balanced economy and so want to see manufacturing industry prosper.

To that end they now offer a range of grants which are competitive with almost anything offered on the mainland of the UK. These incentives are detailed in the accompanying panel but the important thing for a potential applicant to understand is that they are all selective. Unlike the regional aid scheme in the UK, no part of the Isle of Man system is mandatory.

The amount of grants paid out by the government is clearly small by UK standards but then the scale of industry on the island is very small by comparison. Martin Baker, the aircraft ejector seat manufacturer, has about 600 employees at its plant next to Ronaldsway Airport but it is a giant in Manx terms. A company employing 100 is considered to be large.

In 1978-79 a total of £746,413 was paid out, of which £514,819 was in grants, £224,500 in the form of loans and £7,094 made available for the purchase and erection of buildings. This was more than twice the £301,727 paid out in 1974-75 and reflects the growing importance which the authorities place on building up the manufacturing sector.

Guidelines

In calendar 1978 there were 11 applicants for new investment and almost twice as many requests from existing industry for assistance towards expansion. These figures have been building up over the past few years and the indications are that they will be even higher this year.

The government has clear guidelines as to the sorts of industry it wants. The essential prerequisites are that newcomers should be producers with a high-technology, high-value content able to see most of their products off the island.

At the same time they must not pollute the environment because the community places great store by the fact that it has a pollution-free atmosphere. Environmentalists are a strong force on the island, a pressure group which the authorities in any case back to the hilt.

The problem for newcomers at the moment is that with unemployment low there is no easily available pool of labour. This means that potential entrants have to bring in some of their workforce and to do this they have to seek work permits.

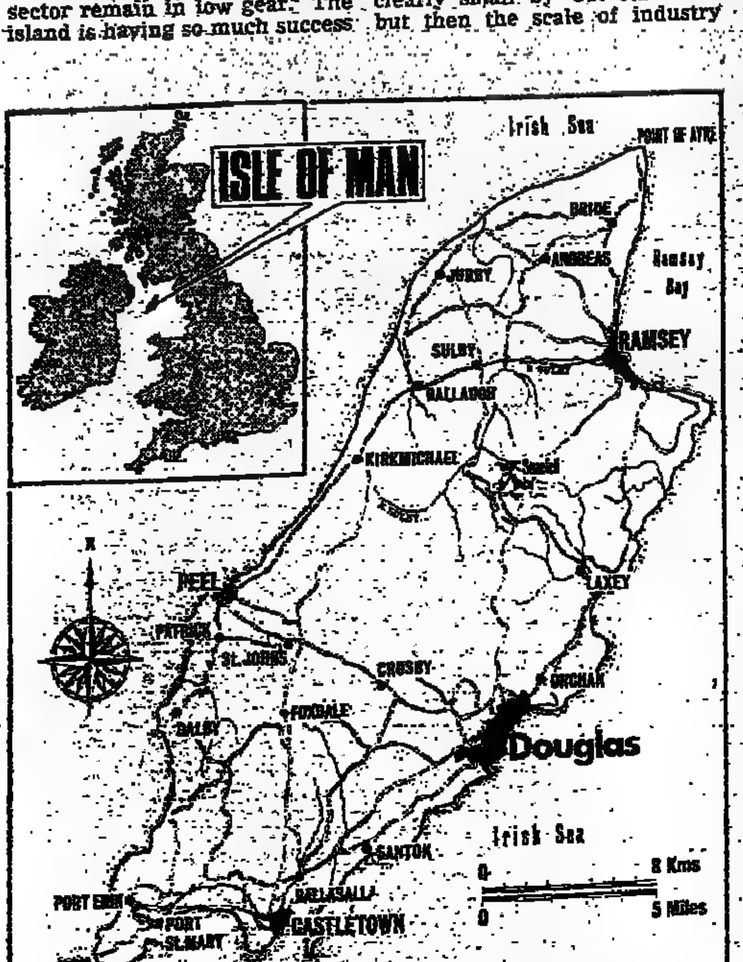
Permits are not easy to obtain because the island keeps a strict watch over its population growth. The employment committee of the social security board vets all applications but it is guided in its deliberations by advice from the industrial council. Even so, there is a shortage of skilled workers.

J. A. Martin

INDUSTRIAL INVESTMENT INCENTIVES

Investment grants:	40 per cent of costs of new buildings, plant and machinery.
First-year grants:	40 per cent of non-recurring commissioning and running-in expenditure.
Loans:	Half of working capital with deferment of repayment for two years.
Training grants:	Help towards training apprentices and half the cost of approved training costs in certain circumstances.
Transfer grants:	40 per cent of dismantling, freight and re-installation costs to employers transferring a manufacturing operation.
Rent reduction:	Assistance may be given to reflect the value of the building grant foregone.

In addition to the above, sites for industrial expansion are available and depreciation allowances are made.



Islanders ponder the big question of population

JUST HOW big should the Isle of Man's population be? Should it be allowed to grow without restraint or should growth be regulated with a strict upper limit on the total population?

These are the questions being considered by a Select Committee of Tynwald, and, if the experience of an earlier committee which reported in 1973 is anything to go by their answers will not necessarily be accepted when they report.

The present committee, chaired by Mr. Clifford Irving, a member of the House of Keys and chairman of the Executive Council and the Tourist Board, was set up earlier this year after there was a furore on the island about a Government population projection. It showed that in about 20 years' time, unless restrictions were imposed, the population would rise to 95,000. The population now is estimated at about 65,000.

Mr. Irving, commenting on the task before his committee, said that there were on the island a lot of people who said the more people who came there the better. There were others who sought strict controls on the grounds that the island's resources were limited and could not be stretched too far.

The 1973 committee, he said, had proposed that new residents, not of Manx origin, *should be expected to deposit* at least £5,000 with the Government to be used to finance a housing fund. The money would be loaned.

This was rejected by Tynwald when the report was debated and he personally thought that was a right decision.

"I do not want a situation to arise where only rich people come to the Isle of Man to live," he said.

Benefits

Throughout the 1973 committee report one problem shows clearly. Not only were the members concerned to try to balance the fact that there were *already restrictions on* people coming to the Isle of Man to work in the form of the work permit system, while there were none on those who came to retire, or enjoy the benefits of the low taxation.

There was also a more basic problem, that of citizenship. The question they tried to answer was, on the surface at least, a simple one. Who is a Manxman?

As one member of the committee said recently: "We were faced with the problem that we could not possibly do anything which would prevent people who could claim Manx descent from coming to live on the island. We were in difficulties in trying to define who is a Manxman, and decided that this was a matter best left for the members of Tynwald to decide."

There was one Tynwald member ready to meet that challenge. Wing-Cdr. Roy MacDonald, a Manxman born in spite of his Scots surname, and he duly introduced his Nationality Bill in 1973. But last year it failed, on the casting vote of the Speaker, to pass through the House of Keys.

Wing-Cdr. MacDonald, since elevated to membership of the Legislative Council, the upper house of the Tynwald Court, is now ready to try again. "I am waiting the required time which must elapse before I bring this Bill forward again. There were only 18 of the 24 members in the House of Keys present when it was last before them and they divided 9-9, with the Speaker, opposed to the Bill anyway, giving his casting vote against," he said.

The situation at present is that while any resident of the Isle of Man *can apply for a* Manx passport this is only, in effect, a UK passport with a Manx cover. The status of the Manx people as far as nationality law is concerned is that they are citizens of the United Kingdom and Colonies. The aim is to have a situation where there will be legally-defined Manx citizenship.

This question of citizenship has exercised the minds of members of organisations who have submitted written evidence to the Select Committee. While their views vary considerably on the definition of who should qualify for the right to call themselves Manx they agree that if there is to be population control then there must be Manx citizenship established.

Reject

"Without citizenship immigration can only be limited by the inadequate means of controls on employment and on property purchase," said Mrs. Audrey Ainsworth, chairman of *the Manx National Party.*

Its submission rejects the financial qualifications as socially divisive. But at the same time they reject any policies which might lead to more school and higher education leavers having to emigrate to obtain suitable employment.

The party proposes that there should be a substantial tightening of the existing work permit system, with permits issued for only two years and on the condition that employers should take on Manx people for training to enable them to replace the permit holders.

Special conditions should be applied to self-employed immigrants in each indvidual case. Regulations along these lines, the party states, would be acceptable internationally.

A *further proposal* by the party is for a quota system for the control of immigration and this, it says, can be applied only if there is a firm definition of citizenship. It considers the proposals of a former House of Keys Committee on Citizenship unacceptable in several ways.

The party proposes, as an interim measure, that there should be a system of quotas for the purchase of property by established Isle of Man residents, defined in much the same way as Isle of Man workers under present regulations. Safeguards to prevent evasion by incorporated bodies would be set up at the same time.

While at present there is no way of controlling any influx of people not seeking employment or buying property without citizenship, with citizenship controls could be imposed and enforced.

Mrs. Ainsworth said: "Full immigration control, although theoretically advantageous would probably be undesirable in practice. It is also expensive to operate. Once Manx citizenship is established it should be possible to establish effective control over immigration."

Mec Vannin, the more radical nationalist party, proposes in its written evidence a complete end to the policy of attracting new residents and the passing of a strict Manx Citizenship Act.

"We do not accept that the definition of Manxman should cover all Manx residents. We consider the House of Keys proposals weak. We are a nation in our own right.

"To qualify for Manx citizenship a person should be either Manx born or have one Manx parent, or be married to a Manx person, or have resided on the Isle of Man for 10 consecutive years. In this case they would have to apply for Manx citizenship," said Mrs. Hazel Hannen, the party chairman.

Mec Vannin also proposes tight restrictions on non-Manx citizens resident on the island. They would not be able to acquire more than a half-acre of land, vote or be a candidate in any Manx election or be a shareholder *or director of any* property company.

It also proposes that an immigration registry office should be set up, to which everyone intending to reside in the Isle of Man would have to apply.

Automatic entry would be allowed only to Manx citizens and work permit holders. Non-Manx citizens allowed in would have to register each year, but allowed to acquire Manx citizenship after 10 years. There would also be a requirement for Manx citizens resident outside the Isle of Man to register annually to keep their status.

On work permits, Mec Vannin says they would be required for everyone coming to the island for employment, the present exemptions to be ended.

Strict

From the Society for the Preservation of the Manx Countryside has come a submission which emphasises that it considers the projected population total far too high.

In its view there is also a great need for a stricter enforcement of the provisions of the agreed development plan. Planning regulations intended to control development have not been carried out.

To control population, Mr. H. S. Cowin, the society's chairman, said immigration should be limited to 1,000 people a year and there should be a strict enforcement of work permit regulations. The aim should be to cut down the number of retired people moving to the island.

"I agree that island's good financial position is, at least in part, due to the new residents but if there are not controls on the numbers coming in, the financial balance might quickly be badly upset because of requirements for new schools, hospitals and other facilities.

"I don't want the Isle of Man to lose its Manxness, and there is a danger of that happening if we do not have some sort of control over immigration," he said.

W. R. Clucas

Women packing seafood. There is a permit system for those coming to the island to work

Communications now less of a saga

GETTING TO and from the Isle of Man has often been criticised by residents, holidaymakers and visiting businessmen alike as rather too much of a saga.

Despite what, on paper, looks like a good selection of both air and sea routes—by sea from Liverpool, Ardrossan, Heysham, Fleetwood, Llandudno, Belfast and Dublin; by air from London, Manchester, Liverpool and some other minor mainland airports—the frequency, timing and travelling conditions on these services have at various times all come under fire.

Until last year, a businessman visiting the island for a day found himself at Heathrow by 8.30 am and, with luck, in Douglas just before noon after a jet trip to Manchester and a connecting Viscount flight to the island. Business would have to be wrapped up by 4 pm if he *wanted to get back to London* the same day.

Thanks to a route-swapping arrangement between British Airways and British Midland Airways, plus the application of some pressure here and there by the island government, the situation has now improved considerably, even if the ideal of adequate year-round services for the island is still unrealised. (An inevitable situation, given the vast fluctuations of demand between the summer tourist season and the needs at other times of a population of only a little over 60,000.)

Consternation

Last year, British Midland handed over some of its *Continental services to British Airways* in return for a London-Liverpool-Isle of Man-Belfast service. There was some consternation when it almost immediately cut back on the schedule that British Airways had been providing, but after protests there was a general reinstatement and additional flights were added on the basis of need.

The result is that British Midland now provides a daily service somewhat better geared to business needs, with a flight via Liverpool arriving before 11 am and not departing until 5.35 pm. Importantly, British *Airways is now also* running a daily direct service to the island from Heathrow as well as one via Manchester, so with three flights a day the island is now well up on a year ago.

Meanwhile, since last year Dan Air has been running a number of summer and week-end-only services between the island and Gatwick, Bristol, Cardiff, Birmingham and even Gloucester and Bournemouth. They have been of some considerable help to the tourist trade even if Dan Air has been criticised as just skimming off the tourism cream from the two main carriers committed to year-round services.

With British Island Airways also providing regular, mainly year-round services to northern cities and Dublin, Mr. Jack Nivison, the chairman of the Island's Airports Board, asserts now that the island is "pretty well served."

Certainly some decline in the use of flying taxi services to a number of mainland UK airports seems to bear this view out and the prospects of forming a government-backed Manx airline, put forward in the past as the only way of really meeting the island's needs, has faded rapidly into the distance.

At sea, a saga of a different *sort has been going on. Last* June, Manx Line, a company formed by Geoff Duke, the former world motor-cycling champion, was due to start a roll-on, roll-off cargo and car and passenger service between the island and Heysham using a converted secondhand vessel bought from Spain.

The ship was three months late coming out of the Leith *shipyard where it was converted,* and was subsequently plagued by a number of engine and other troubles to the extent that first James Fisher, then State-owned Sealink, were brought in to rescue the then-floundering company.

Benefit

Manx Line is now owned 60 per cent by Sealink, 40 per cent by James Fisher. When it worked, the ro-ro service worked well, sufficiently so to induce at least one island company to invest in road transport equipment geared to the Manx Line operation.

Up till then the main means of getting goods to and from *the island was via the vessels* of the long-established Isle of Man Steam Packet Company, but drive-on, drive-off vehicles were limited to not much more than transit vehicles with crane unloading of containers.

The advent of Manx Line appeared set to introduce an element of competition bound to be of long-term benefit to the island, servicing to keep transport charges down and pressure on the Steam Packet for improved on-board facilities for passengers—a subject of some criticism in the past.

But last winter, just when it looked as if Manx Line was at last shaping up as fierce competition on both the passenger and cargo fronts, disaster struck. The Manx government had spent *£¾m on providing a roadway* to the Manx Line terminal, at the end of which loading/unloading for the vessel was provided by a specially-built link span designed to allow the Manx Viking, the company's vessel, to operate in almost any weather. But during a bad storm the span broke away from the berth and both it and the breakwater were badly damaged.

Repairs have still to be completed, and meanwhile Manx Line has chartered two vessels from James Fisher which are maintaining a container operation, but on a reduced scale *involving a lift-on, lift-off operation.* Ingeniously, Manx Line has also concocted a temporary ramp system which still allows light vehicle and passenger traffic to be carried and these services are now operating normally.

Meanwhile, the Steam Packet Company is seriously investigating the feasibility of its own ro-ro operation. But because of the large investment inevitably involved, it is proceeding cautiously. "You've got to remember that the total cargo trade to the island is very limited," one executive points out. "Cargo is 85 per cent inwards and only 15 per cent outwards. Before we move in we want to be certain we can generate enough revenue to make it a viable proposition."

Cautious

The company last month received a detailed report from its consultants on the prospects, and is now assessing its next steps. One vessel is due for replacement in the mid-1980s and it will be a crucial decision as to what replaces it.

Whether the company will go all out for a rival ro-ro terminal; whether it will opt instead to maintain its existing services, or whether—as has been speculated on the island, although denied by both companies—there might even be an eventual merger of the two operations—is unlikely to become clear until next year at least.

John Griffiths

Harvest prospects brighten

By Christopher Parkes

MOST BRITISH cereal crops have made a good recovery from the winter and poor conditions in the spring and Government sonably "hopeful" about the wheat harvest, optimistic about the barley crop, and forecast a total cereals yield above the average for the past five years.

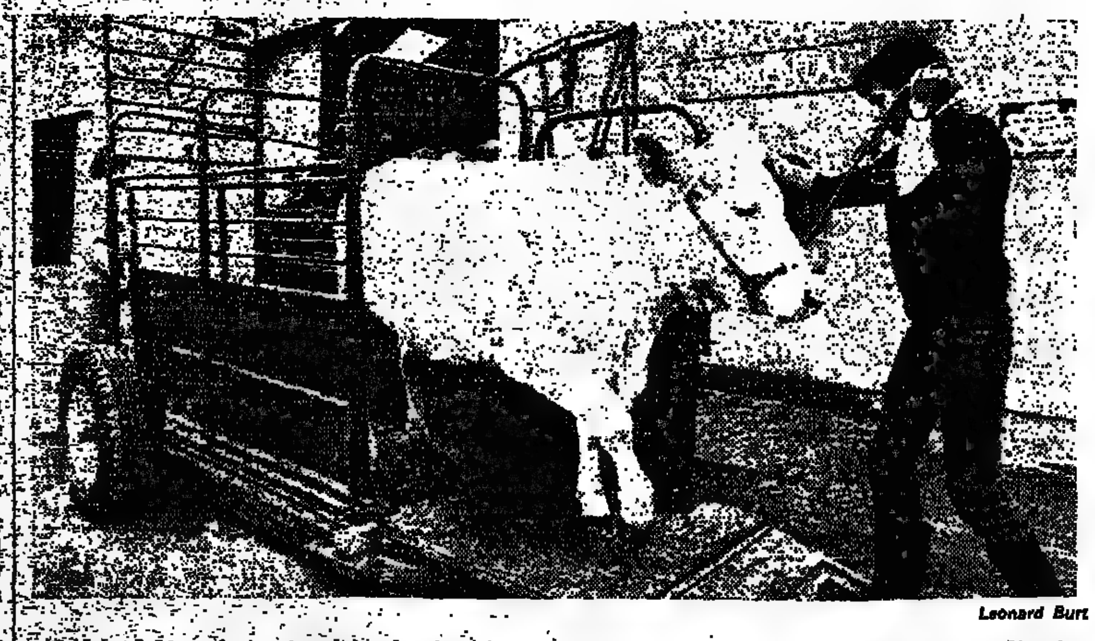
"Things have improved tremendously in the past month," Dr. Keith Dexter, director general of the Agricultural Development and Advisory Service told the Royal Show in Stoneleigh.

Mr. John North, chief agricultural officer at the Farm Ministry, pointed out that the area planted with wheat in the UK was 10 per cent higher than a year ago, adding that a bigger proportion was drilled with high-yielding varieties.

There was also a substantial acreage of winter barley which gives better yields than spring crops and that, Mr. North said, "gives us a good basis for being optimistic."

Mr. Victor Rice, president of Massey Ferguson, said the machinery industry could not expect heavy sales in Europe this year. But there was a much brighter outlook for tractor and combine harvester sales in traditional grain exporting countries.

Farmers in Canada, the U.S., Australia and Argentina could all hope to benefit considerably from the strong export demand from the USSR this season. As a result of this demand prices have been at their highest levels ever.



Leonard Burt

A hopeful contestant weighs in for the livestock competition at the Royal Agricultural Show at Stoneleigh.

Iran to resume NZ lamb trade

BY CHRISTOPHER PARKES

NEW ZEALAND will import Muslim slaughtermen from Iran to help it fulfil a new lamb supply pact between the two countries.

If all the religious conditions can be met, New Zealand stands to sell up to 50,000 tonnes of carcasses a year to Iran, compared with past trade which has never exceeded 25,000 tonnes a year.

Mr. Allan Frazer, European director of the New Zealand Producers' Board, said at the Royal Show yesterday that while abattoir unions guarded their jobs jealously, they understood that trade openings had to be maintained in the national interest.

The new Iran regime recently cut all meat imports from New Zealand on religious grounds but Mr. Frazer expects trade to resume early next year.

Religious ritual specialists will visit New Zealand soon to tour abattoirs and advise processors on their requirements.

Sir Douglas Carter, retiring New Zealand High Commissioner, said yesterday that because import levies were too high New Zealand had sold only 27,000 tonnes of butter in the UK in the first six months of this year out of a total quota of 120,000 tonnes.

"The levies have ben so fixed that we can't sell unless we sell at a loss," he said.

Adjustments in the special import levy on butter are expected at a meeting of the European Community's Dairy Management Committee tomorrow to allow New Zealand produce to compete with subsidised Community butter.

But there is still stiff resistance in the trade. Community agriculture ministers are being lobbied by traders who want to retain their new competitive edge. They resent present arrangements which under normal levy conditions guarantee New Zealand about 25 per cent of the British butter market.

Even if the levies are adjusted, New Zealand distributors will still be faced with the task of distributing their full quota this year.

Present arrangements for NZ dairy imports expire at the end of next year, when the quota will be 115,000 tonnes.

● The EEC's arrangements giving access to New Zealand butter into Britain are "a total mess," Mr. W. P. O'Grady, an executive director of the Irish Dairy Board, said yesterday.

Calling for a comprehensive review of the system, Mr. O'Grady claimed that the interests of Community butter producers were being damaged.

Brazil crop forecast hits coffee

By Richard Mooney

COFFEE FUTURES prices fell sharply on the London market yesterday as continuing mild weather in Brazil and the publication of a distinctly "bearish" trade forecast of the Brazilian crop sparked off heavy profit-taking.

The September position fell to £2,006 a tonne at one time but later rallied to end the day £53 down at £2,036 a tonne.

In New York meanwhile, brokers Merrill Lynch estimated the Brazilian crop would be 23.4-24.8m bags (60 kilos each) in the 1979-80 season despite recent frost damage.

This compared with a production forecast of 19m bags issued by the Brazilian Coffee Institute (IBC) following assessment of the frost damage.

The report attributed its higher figure to a higher pre-frost estimate and a different method of calculation. It said good spring rains could boost output to 27m bags.

London dealers said yesterday, however, the Merrill Lynch estimate appeared highly optimistic. They said local shippers had generally confirmed the IBC assessment.

Cocoa futures drop to new lows

By Our Commodities Editor

COCOA FUTURES prices fell to life of contract lows on the London terminal market yesterday before rallying slightly in late trading. The September position traded down from £1,580 to £1,531 before finally closing at £1,542 a tonne, £54 lower than Monday's close.

The decline is a continuation of the recent sharp downward trend in the market resulting from the rise in the value of sterling, reduced tension over the situation in Ghana and forecasts of a hefty surplus of supplies this season. Late news that Ghana university students had stormed the U.S. Embassy in Accra had little impact on the market.

Adding to the pressure on prices were reports of cocoa, previously help up in Ghana, now coming forward. In London, some heavy tenders against the spot delivery month have created a nearby surplus situation

COMMODITY AGREEMENT

Doubts cloud new olive oil pact

BY BRIJ KHINDARIA IN GENEVA

A NEW olive oil agreement was opened for signature on Monday this week. It will replace the existing accord which expires at the end of this year, with a new agreement much wider in scope since it extends to all aspects of olive oil production. The new accord will cover other products of the olive tree in addition to olive oil.

The agreement puts particular emphasis on the transfer of technology to enable producers in developing countries to reduce costs and improve quality. Its economic provisions break new ground by laying down a link between the agreement and the financial resources of the proposed UNCTAD common fund. However, there is no guarantee that the agreement will receive any money when the fund, still under negotiation, becomes operational.

The new accord does not have any substantive or obligatory economic provisions. As with the previous agreement, renewed four times since 1963, the new accord relies on consultations among producers, rather than specific measures, to correct international supply and demand imbalances. The agreement is not an income or market stabilisation scheme.

Mr. Hocine Bou-Bekker, chairman of the conference at which the accord was negotiated in April, said the new agreement "meets the problems that confront developing olive oil producing countries and takes account of the need to develop consumption and international trade to improve the position of olive oil vis-a-vis other vegetable oils. It constitutes a real advance."

The agreement will remain open for signature until November 16 this year and will come into force in January, 1980, or whenever in the 12 succeeding months it is ratified by the six countries which represent 60 per cent of world olive oil production.

However, the main olive oil producing countries outside the Common Market feel they have been left with the shorter end of the stick. Tunisia, Morocco, Algeria, Turkey, Syria and Egypt complained strongly they were at a disadvantage compared with olive oil producers within the Community, such as Italy, France and now Greece. They pointed out that the Community offered substantial financial help and income support to farmers under its Common Agricultural Policy.

The plight of olive oil producers outside the Community has been made more difficult by the proposed entry to the Common Market of major rivals, including Spain and Portugal, who will also begin to enjoy support from the CAP.

The main fear of countries outside the Community is that their olive oil will become even more uncompetitive compared with Community producers once the southern European nations join the EEC and they argued strongly for financial aid, including money from the common fund, to help them increase production and improve efficiency.

The Community, concerned at the prospect of an olive oil "lake," refused to allow the new agreement to contain references to the need for more olive oil output. Instead it emphasised the need to promote consumption and balance international supply and demand.

World olive oil stocks are estimated at 600,000 tonnes for the crop year 1978-79. Of these, Spain holds nearly 270,000 tonnes, Italy about 74,000 tonnes and France 9,000 tonnes. The stock level stood at 580,000 tonnes in November 1978, down from 649,000 tonnes in October 1977.

Demand for olive oil is not very price sensitive and it is estimated that lower prices will not result in substantially higher consumption. But most of the North African olive oil exporters are net importers of other vegetable oils

The olive oil agreement, they claim, offers them no protection against arbitrary and unilateral reduction in imports by the Common Market if its own members tend to over-production because of price support from CAP.

Olive oil is one of the vegetable oils included in UNCTAD's integrated commodity programme which should benefit from the multi-million dollar common fund. The main gains to the non-olive oil producers outside the Community would have come from the fund's second "window" designed to finance market promotion, research and development.

But creation of the second "window" remains uncertain because the U.S. and other industrialised countries, including West Germany, have said that they will only make voluntary contributions provided that this section of the fund does not become an instrument of aid rather than trade.

The fund's first section will be used only to finance reserve stocks needed to stabilise world commodity prices under an international agreement between producers and consumers.

Australia raises wool floor price

CANBERRA—The average Australian wool floor price for the 1979-80 season will be 318 cents a kilo compared with 298 cents for 1978-79, Mr. Ian Sinclair, the Primary Industry Minister, announced yesterday.

This compares with the 1978-79 season's closing whole clip average market price of 361 cents a kilo.

Mr. Sinclair said the increase was recommended by the Australian Wool Corporation (AWC) and the Australian Wool Industry Conference.

The rise took account of improved wool demand in the latter part of the 1978-79 season, ended June 30, and reinforced confidence shown by the market. Reuter

Action urged on oak wilt threat

Financial Times Reporter

THE Forestry Commission has been urged to act to prevent the spread of oak wilt to Britain.

The Association of County Councils warned yesterday that the country could not afford another Dutch Elm-type disease.

The ACC has asked the Forestry Commission to investigate importation of oak from North America with the possibility of imposing a complete ban "if really effective controls are not introduced within a reasonable time."

Lead smelter shut down

MONTANA—U.S. producer, Asarco, is to shut its lead smelter here during August because of a shortage of raw materials, reports Reuter.

The plant has already been operating on a reduced five-day week for an extended period due to a shortage of concentrates.

Asarco said it would accumulate lead concentrates during the shutdown. The company blamed the concentrate shortage to higher lead prices overseas which make it difficult for U.S. smelters to compete for raw materials.

Asarco's other Western U.S. lead smelter, at El Paso, Texas, has been shut down for the past six weeks to accumulate concentrates and for a modernisation programme. It is currently being returned to production.

● Lead prices were steady on the London Metal Exchange yesterday, in line with the general recovery after the recent sharp falls. Improved physical demand helped boost copper, while a renewed squeeze on nearby supplies lifted cash tin by £105 to £7,575 a tonne.

Farmland price rise halt confirmed

BY OUR COMMODITIES STAFF

FURTHER CONFIRMATION that the rise in the price of farmland in England has halted is provided by the latest figures issued by the Ministry of Agriculture yesterday.

An analysis of farmland sales, with vacant possession, during the three months ended May, 1979, puts the average price at £3,860 per hectare. Although this is marginally above the figure for the three months to April, it is well below the peak average price of £4,081 reached in the three months to February this year.

The special index, compiled by the Agricultural Advisory Service and Agricultural Mortgage Corporation, to take account of regional and area size group, has fallen since February from 213 (1973=100) to 191. This, the Ministry notes, indicates "that after a prolonged rise the price of agricultural land has levelled off and may have fallen slightly since the beginning of the year."

However, the number of reported sales, on which the figures are based, covers only 7,300 hectares. This is in line with the reduced level of sales so far this year.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Steadied on the London Metal Exchange after Monday's sharp fall, despite the rise in sterling. Trade buying was the main factor in pushing the forward price up from a start of £817 to a high in the morning Rings of £835. Business was heavy. In the afternoon the price was lower after the Comex opening, falling to £825 before closing on the Kerb at £827. Turnover 36,350 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	815-7	—1.5	815.5-6.5	+10.5
3 months	833-5	—1	830-.5	+8.75
Settl'm'nt	817	—1.5	—	......
Cathodes				
Cash	792-3	—1.25	793-4	+15
3 months	814-5	+1	812-.5	+9
Settl'm'nt	793	—1	—	......
U.S. Smt.	—	......	*84-93	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £826, 25, 28, 26.5, 28, 28.5, 29, 30, 33, 35, 34, 35, 34, 33, 32.5. Cathodes, three months £812, 13, 14. Kerb: Wirebars, three months £831, 30, 29, 29.5, 30. Afternoon: Wirebars, three months £827, 28, 30, 28, 29, 30, 29, 28, 29, 30. Kerb: Wirebars, three months £829, 30, 29, 28, 27.

TIN—Steady in quiet trading. Forward metal started at £6,980 after an unchanged Eastern price overnight and moved up to £7,020 before hedge selling depressed it to a close on the Kerb of £6,985. Turnover 1,545 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7560-80	+515	7550-600	+105
3 months	6990-7010	+35	7010-20	+15
Settlem't	7580	+520	—	......
Standard				
Cash	7560-80	+515	7550-600	+105
3 months	6990-7000	+30	7010-5	+17.5
Settlem't	7580	+520	—	......
Straits. E.	†$1975	—	—	......
New York	—	......	—	......

Morning: Standard, cash £7,500, 10, 20, 50, 60, 70, three months £7,000, 6,990, 7,000, 6,995, 90, 95. Kerb: Standard, three months £6,985, 90, 95. Afternoon: standard three months £7,010, 15, 20. Kerb: Standard three months £7,010, 7,000, 6,990.

LEAD—Little changed after a day of routine trading. Forward metal started at £575-£577, slipped to £572 and then traded between £572 and £575.5 before closing on the Kerb at £573.5. Turnover 4,475 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	607.5-8.5	—.5	608-10	+1
3 months	575-.5	—1	574-.5	+.75
Settlem'nt	608.5	—.5	—	......
U.S. Spot	—	......	*54-8	......

Morning: Cash £608, three months £574, 76, 75, 75.5, 76. Kerb: Three months £573, 74. Afternoon: Three months £573, 72.5, 72, 74, 75, 74.5. Kerb: Three months £575, 74.5, 74.

ZINC—Higher in quiet trading with buying from one influential trade quarter the main factor in taking the forward price up from £342-£344 to £348. Thereafter the price moved narrowly, closing on the Kerb at £349.5. Turnover 4,600 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	336-7	+3.5	337-8	+5.5
3 months	348.5-9	+4.5	348.5-.75	+5.12
S'ment	337	+3.5	—	......
Prim.West	—	......	*39.5	......

Morning: Cash £337, 37.5, three months £347, 47.5, 47, 48, 48, 48.5. Kerb: Three months £348. Afternoon: Three months £349, 50, 49, 48.75. Kerb: Three months £349, 48.5, 49, 50.

ALUMINIUM—Steady as the strength in copper helped lift the forward price from a start of £696 to £705. There was good two-way business with some physical interest. In the afternoon the price drifted and closed on the Kerb at £702. Turnover 9,250 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Spot	701-2	+2	702-3	+6
3 months	701-2	+1	702-3	+5

Morning: Three months £705, 6, 3, 2. Kerb: Cash £700. Afternoon: Cash £700; three months £699, 700, 1, 2, 2.5, 2. Kerb: Cash £699, three months £700, 1.

NICKEL—Gained ground, with business at a modest level, in line with other metals. Forward metal started [illegible]

ART GALLERIES

[illegible]

COFFEE

... followed by a sharp technical reaction as prices rallied to finish £50 to £59.5 lower on the day after good trading.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
July	1976-78	—58.0	2000-51
September	2035-37	—55.0	2055-05
November	2035-38	—56.5	2050-11
January	2039-42	—58.0	2050-15
March	2023-27	—54.0	2035-02
May	2020-25	—50.0	2024-95
July	2018-25	—51.5	2021-17

ICS indicator prices for July 2 (U.S. cents per pound): Other Mild Arabicas 212.0 (218.0); Robustas ICA 1976 209.0 (210.0); ICA 1968 208.5 (210.5); Colombian Mild Arabicas 217.5 (221.0); Unwashed Arabicas 209.0 (213.0); Comp. daily ICA 1968 211.08 (214.0).

COCOA

In a market again dominated by currency considerations, cocoa values continued easier and coffee closed £10 off the lows, reported Gill and Duffus. Sales: 5,975 (2,326).

COCOA	Yesterday's Close	+ or —	Business Done
July	1495-1497	—61.5	1559-1492
Sept	1540-1544	—54.0	1580-1531
Dec	1610-1611	—45.0	1645-1600
March	1648-1650	—58.5	1682-1635
May	1670-1675	—35.0	1704-1665
July	1690-1705	—51.0	1710
Sep	1710-1735	—41.5	1750

International Cocoa Organisation (U.S. cents per pound): Daily price July 2 157.98 (161.66). Indicator prices for July 3: 15-day average 157.24 (157.39); 22-day average 157.88 (157.75).

GRAINS

LONDON FUTURES (GAFTA)—The market opened between unchanged to 5 higher but found further consumer and short-covering buying which forced values up to 40-50 higher on a lack of sellers. There has been little country movement and, as a result, [illegible]

RUBBER

... at higher levels, closing easier. Lewis and Peat reported a Malaysian godown price of 285 (282) cents a kilo (buyer, July).

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

COTTON

[illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

	July 3 1979	+ or —	Month ago
Metals			
Aluminium	£710/50	......	£710/50
Free Mkt (cs)	$1,530/50	......	$1,585/15
Copper			
Cash w'bar	£816	+10.5	£881.25
3 mth „	£830.25	+8.75	£894.75
Cash Cathode	£793.5	+15	£858
3 mth „	£812.5	+9	£879.5
Gold troy oz	$282.125	......	$279.125
Lead cash	£609.0	+7	£569
3 mth	£574.25	+.75	£607.25
Nickel	£3285.4	......	£3,117.82
Freemkt (cif)(lb)	280/75c	......	320/80c
Platin'm tr'y oz	£165.0	......	£171
Free mkt	£190.0	+2.15	£208.85
Quicksilver	$285/300	......	$335/45
Silver troy oz	392.05p	—5.15	408.5p
3 months	403.5p	—5.2	419.1p
Tin cash	£7,575	+105	£7,490
3 mths	£7,012.5	+17.5	£7,170
Tungsten	$141.61	......	$137.52
Wolfrm 22.04 cif	$142/150	—2.5	$142/46
Zinc cash	£337.5	+5.5	£353.5
3 months	£348.625	+5.125	£373.75
Producers	$845	......	$845
Oils			
Coconut (Phil)	$1,150	......	$1,060
Groundnut	‡	......	‡
Linseed Crude	£405	+2	£388
Palm Malayan	$679t	+5.0	$657p
Seeds			
Copra Philip	$750w	+5.0	$712.5
Soyabean (U.S.)	$321p	+3.0	$309.5
Grains			
Barley Futures	£92.0	+0.4	£89.55
Maize			
French No 3 Am	£109.5	......	£111.25
Wheat			
No. 1 Red Spg.	£99.0	+1.5	‡
No2HardWint.	£100.5p	+0.9	‡
Eng. Milling †	‡	......	£107.5
Other commodities			
Cocoa ship't	£1,642.0	—54.0	£1,805
Future Sept.	£1,542.0	—54.0	£1,732
CoffeeF't'rSep	£2,036	—53.0	£1,875.5
Cotton A'index	75.95c	+6.0	75c
Rubber kilo	61.0p	+0.25	63.75p
Sugar (Raw)	£101.0	......	£101
Wooltp's 64s kl	271p	......	279p

* Nominal. † New crop. ‡ Unquoted. In tonnes unless otherwise stated. p August. s July-Aug. t Sept. w Sept.-Oct. y Nov. z Indicator. § Buyer.

MEAT/VEGETABLES

MEAT COMMISSION—Average fatstoc prices at representative markets on July 3. GB cattle 89.76p per kg.l.w. (+1.61). UK sheep 162.5p per kg.est. d.c.w. (—8.4). GB pigs 59.8p per kg.l.w. (+2.1) England and Wales: Cattle numbers down 6.6 per cent, average price 88.41p (+1.82). Sheep numbers no change, average price [illegible]

[illegible]

AMERICAN MARKETS

NEW YORK, July 3.

THE FRENZIED trading activity in the futures market subsided before the celebration of Independence Day. The grains and the soyabean complex traded within very narrow ranges, ending with token gains. Cocoa continued its decline, trying to establish a bottom. Sugar has consolidated its recent gains. Coffee was down the limit on trade [illegible]

Silver—July 873.0 (860.5), Aug. 878.5-880.0 (866.0). Oct 891.0-890.0, Dec. 903.5-904.0, Feb. 915.5, April 926.5-927.0, June 938.0, Aug. 948.0, Oct. 960.0, Dec. 971.0, Feb. 982.0, April 993.5, June 1005.0, Aug. 1016.5, Oct. 1028.0, Dec. 1040.0, Feb. 1052.5, April 1064.0, June 1076.5.

‡Soyabeans—July 754-763 (747); Aug. 761-763 (758); Sept. 764-762, [illegible]

EUROPEAN MARKETS

ROTTERDAM, July 3.

[illegible] U.S. No. 2 Red Winter wheat Aug. $200, Sept. $203. U.S. No. 2 Northern Spring wheat, 14 per cent. July $199, Aug. $199.50, Sept. $201, Oct. $203, Nov. $205.

Maize—U.S. No. 3 Corn Yellow afloat $154, July $154, Aug. $154.75, Sept. $155.25, Oct./Dec. $159, Jan./March $164.50.

Soyabeans—U.S. Two Yellow Gulfports afloat $303, July $308.50, Aug./Sept. $313.75, Oct. $303.90, Nov. $303.75, Dec. $309, Jan. $313, Feb. $316, March $317.25, May $318.25, June $321. Brazil Yellow FAO afloat $301. Argentine discharging $295.50, June [illegible] $254, July $254, Aug. $256, Sept. $257, Nov./March $260, April/Sept. $265 sellers. Brazil Pellets afloat $255, June $256.50, July $258.50, Aug. $259.50, Sept. $260, Oct./Nov. $265.

PARIS, July 3.

Cocoa—(FFr per 100 kg): July 1,400-1,475, Sept. 1,465-1,472, Dec. 1,499 asked, March 1,520-1,535, May 1,520 bid, July 1,530 bid. Sales at call: nil.

Sugar—(FFr per 100 kg): Aug. 950-960, Oct. 1,014-1,016, Nov. 1,010-1,020, Dec. 1,056-1,060, March 1,097-1,105, May 1,125-1,135, July 1,130-1,150, Aug. 1,145-1,165. Sales at call 20.

INDICES

FINANCIAL TIMES

July 2	June 29	M'nth ago	Year ago
292.05	295.55	291.02	240.16

(Base: July 1, 1952=100)

MOODY'S

July 2	June 29	M'nth ago	Year ago
1085.2	1081.0	1070.1	920.9

(December 31, 1931=100)

DOW JONES

Dow Jones	July 2	June 29	Month ago	Year ago
Spot	419.75	406.51	406.51	359.09
F'tur's	432.15	832.11	407.13	345.87

(Average 1924-25-26=100)

REUTERS

July 3	July 2	M'nth ago	Year ago
1601.1	1602.2	1583.7	1458.6

(Base: September 18, 1931=100)

... African: Cartons, Packham's 7.00, Nelis 6.00, Josephines 7.00; Victorian: Josephines 8.50, Packham's 8.50-9.00, Winter Nelis 6.50-7.00; Spanish: Per pound Morettini 0.20. Plums—Spanish: Santa Rosa 2.50-3.00, Japs 1.60-1.70, Gaviotas 3.40-3.50, Pratts 4 kilos 2.00-2.20; Italian: Florentias per pound 0.20. Grapes—Cypriot: Cardinal, per pound 0.45-0.47½, Perlette 0.60-0.65. Peaches—Spanish: D/C/B's 2.30-2.60; Italian: [illegible]

... 0.27-0.35. Beetroots—Cypriot: 2.00. Melons—Spanish: Yellow Honeydew 10 kilos 6/14's 6.00-6.60.

English Produce: Potatoes—New crop per bag 2.40-2.50. Lettuces—Per 12 round 1.00-1.30, Cos 1.30-1.40. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.04-0.08. Rhubarb—Per pound outdoor 0.03-0.04. Tomatoes—Per 12 lb 1.80-2.00. Cucumbers—Trays 8/18's 1.50-1.80, prepack [illegible]

New-found strength of Government stocks continues but equities fade after looking promising initially

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Jun. 18	Jun. 28	Jun. 29	July 10
July 2	July 12	July 13	July 24
July 16	July 26	July 27	Aug. 7

* "New time" dealings may take place from 9.30 am two business days earlier.

The belief that interest rates will fall sooner than recently envisaged drew more converts yesterday and stimulated a fresh rush of investment in Government stocks. Once again, the demand came from many countries, particularly America, and was concentrated on long-dated Gilts which strengthened two points or more in places prior to a late easing. After Monday's reluctance, equities made a more convincing showing before also settling below the best.

Exchequer 12¼ per cent A 1999, exhausted as a tap stock on Monday at 15¾, soared to 19¾ despite the £25-call due on the £15-paid stock on Friday, and closed a net two points up at 19¼. Substantial profit-taking developed in all sectors of the funds, but it made little lasting impression on the mediums and longs. The shorts, however, proved more susceptible and early gains here of ⅝ were eventually reduced to ⅜.

The new-found optimism covering the whole spectrum of Gilt-edged securities, generated by sterling's recent buoyancy, showed no sign of abating and late in the afternoon tended to respond to news of the sharply lower rate of 12¼ per cent, from last week's 12⅝ per cent, on this week's offering of Local Authority yearling bonds. After the previous day's leap of 1.19, the FT Government Securities index rose 0.90 more to 73.18, its highest for six weeks.

A demand said to have been built up over the past few days, and partly institutional, caught dealers in leading shares unawares. Short-covering was touched off and for a while the firmness seemed to be well based and lifted prices to the extent that at 1 pm the FT 30-share index was 7.8 higher. However, the absence of any follow-through support saw values retreat fairly quickly from the best and the index closed with a net gain of 4.4 at 479.5. The miners' conference backing a wage claim of up to 65 per cent with the threat of industrial action was reflected in late sentiment.

Corporations again basked in the glory of the main funds and established further gains ranging to 1½. Southern Rhodesian bonds also furthered their upturn and the 2½ per cent 1965/70 issue settled 5 points up at £83. Demand, too, was again evident for **Antofagasta Railway** issues, the ordinary rising 4½ more to £30 and the preference 6 to £45.

The pace of the recent decline in rates for investment currency slowed, despite the continued strength of sterling. Trade increased noticeably and the premium, after initially rallying to 28¼ per cent, slipped back to settle a net 1¾ points lower at 25¼ per cent. Yesterday's SE conversion factor was 0.9340 (0.9301).

Grand Metropolitan attracted the limelight in Traded options, contributing 248 deals to a total of 746 which compared with the previous day's 1,014. **Land Securities** were also wanted, recording 117 trades while **EMI** were also active with 107.

Home Banks good

With the interim dividend season three weeks away, the major clearers made useful progress with gains accentuated by stock shortage. **Barclays** gained 13 to 463p, after 468p, while **NatWest** firmed 15 to 365p and **Lloyds** advanced 12 to 340p. **Midland**, still overshadowed by the proposed major U.S. acquisition, finished just 3 dearer at 388p after earlier progress to 403p. Hire Purchases attracted a fair amount of interest; **Lloyds and Scottish** put on 9 to 118p and **Provident Financial** 7 to 98p and among Merchant Banks, **Hambros** firmed 13 to 315p.

A better trade than of late was seen among Breweries although rises were restricted to one or two pence as most issues drifted lower in late business. **Allied** became a good market, 2½ up at 90p, but **Scottish and Newcastle** eased a penny to 67½p in front of tomorrow's preliminary results. **Gough Brothers** featured secondary counters, adding 5 to 71p on renewed rumours of a pending offer from either Distillers or Whitbread, both reportedly keen to expand their free-trade outlets.

Building issues made early progress, but gains were mostly pared as interest petered out. **SGB** featured, rising 15 to 255p in response to the sharply higher interim profits and dividend. Selected Timbers held firm with *International adding 8 to 120p* and the new nil-paid advancing 2 to 2½p premium and **Magnet and Southerns** improving 5 more to 185p. Elsewhere, demand in thin markets lifted **Burnett and Hallamshire** 10 to 383p and **Vibroplant** 5 to 220p. **Heywood Williams** firmed 4 to 92p on further consideration of the annual results, but **A. Monk** eased a penny to 56p following he preliminary profits. Federated the preliminary profits. **Federated Land** attracted buyers and put on 3 to 65p.

Stores better

An increased level of business than of late was seen in Stores, the emergence of a little institutional support leaving the leaders with useful rises. **W. H. Smith** rose 7 to 173p, while **Gussies A**, 362p, and **House of Fraser**, 185p, put on 4 and 3 respectively. **Burton A** were again in demand and improved 6 to 272p. Furnishers **Henderson-Kenton** pleased with a 45 per cent increase in annual profits which, together with the chairman's confident statement, left the shares *10 higher at 108p, after 110p.* Elsewhere, among secondary issues, **Freemans**, 154p, and **Empire**, 174p, firmed 4 and 6 respectively, while market newcomer **B. and Q. (Retail)** advanced 4 to 86p. Support was again forthcoming for **Bambers**, 6 up at 135p, but **Lincroft Kilgour** ended 2 down at 46p following the sharply reduced mid-term profits.

Electrical leaders followed the general trend, closing below the day's best. Awaiting tomorrow's preliminary results, GEC touched 373p before settling at 368p for a rise of 6. Elsewhere, **Electrocomponents**, up 15 at 430p, staged a useful rally after the recent sharp setback on the preliminary figures. Fresh demand lifted **United Scientific** 20 to 353p.

Little of interest developed in the Engineering leaders, but selective support was forthcoming for secondary issues. Press comment highlighting companies which may benefit from any future expansion in the nuclear energy programme directed fresh attention to **Babcock and Wilcox**, up 10 at 175p; the company announced a U.S. acquisition yesterday. **Whessoe** gained 7 to 120p and **Northern Engineering** 3 to 60p, while gains of 3 were also marked against **Stone-Platt**, 84p, and **Howden Group**, 93p. Elsewhere, **United Engineering** were good at 133p, up 10, while **Mining Supplies** continued to respond to Press mention with a rise of 6 to 102p. Other noteworthy movements included **Matthew Hall**, 8 to the *good at 193p, and* **Davies and Metcalfe A**, 5 dearer at 37p.

With the exception of **Rowntree Mackintosh**, which cheapened 4 to 184p on worries about the company's overseas earnings, leading Foods moved higher before interest faded and left final quotations below the best. Confectionery concerns **George Bassett** and **Somportex** displayed sharply contrasting movements, the former falling 8 to 112p following disappointing annual profits, but the latter advancing 22 to 115p on persistent demand in a thin market. **Bernard Matthews** picked up 6 to 262p, after 265p, but **Amos Hinton** shed 7 to 93p following the chairman's gloomy remarks.

Grand Metropolitan firmed 3 to 145p, after 147p, following the rights issue success. **Ladbroke**, on the other hand, shed 5 to 190p on the company's failure to halt the licencing committee investigating police corruption allegations.

Rexmore good

Leading miscellaneous Industrials closed below the day's best, **Beecham** ending 3 up at 550p, after 554p, and **Glaxo** 10 dearer at 458p, after 460p. **Boots** touched 197p before settling at 196p for a gain of 5. Elsewhere, companies making trading statements provided some good features, with **Rexmore** improving 9 to 74p in response to the annual results, proposed one-for-one scrip issue and dividend forecast, while preliminary figures left **IC Gas** 12 to the good at 505p. **Sotheby** firmed 10 to 355p on the interim results. Demand in a market none too well supplied with stock left **BTR** 16 to the good at 336p and **AGB Research** 14 up at 182p. **Diploma**, 312p, and **De La Rue**, 497p, rose 10 apiece, while buyers showed interest in **Hanson Trust**, 6 dearer at 159p, and **Norcros**, 2½ firmer at 91p. **Silhouette A** were temporarily suspended at 57p, up 7, following the announcement that an approach had been made that may lead to an offer. **Bath and Portland** gained 7 to 50p after the preliminary results and the announcement of a loan agreement with LTA Ltd.

Properties attracted further interest on hopes of cheaper borrowings, but best levels were not maintained as demand faded. **Land Securities** touched 304p before settling 2 up on balance at 300p and **MEPC** finished 3 dearer at 179p, after 180p. Although ending a couple of pence below the best, **Great Portland Estates** firmed 8 to 312p and **Haslemere** 6 to 304p, while **Stock Conversion** also added 5, to 366p. Publicity given to broker's circular encouraged demand for **Slough Estates** which put on 6 to 122p. Renewed support lifted **Samuel** 4 to 120p, after 122p, and **Bernard Sunley** 10 to 392p. **London and Provincial Shop** added 6 for a two-day gain of 12 to 242p.

Oil Exp. good late

Reports that Phillips Petroleum expects to have an announcement about a possible new oil find in the North Sea prompted late strength in **Oil Exploration** which advanced 20 to 320p and in **Premier Consolidated**, 4½ to the good at 41p. **Gas and Oil Acreage** improved 5 more to 195p. Among the leaders, **British Petroleum** took a turn for the better and put on 20 to 1260p.

De Beers easier

Early Johannesburg interest in **De Beers** on suggestions that a new diamond mine had been discovered in Namaqualand — later denied by the company, were not followed through in London. The price closed 1 easier at 362p after limited buying had failed to counteract the fresh fall in the investment dollar premium.

South African Financials generally tended lower on lack of demand and there was little interest in London Financials. **Charter** were steady at 146p in front of today's annual results.

South African Golds were subdued with the market drifting in front of today's IMF gold auction and lacking the stimulus of a further rise in the bullion price. There was some closing of U.S. sharemarket positions before the July 4 holiday.

The Gold Mines Index, reflecting the lower premium, fell 2.3 to 159.6, while the ex-premium index was 1.5 lower at 149.1.

Falls were most marked among stocks which have recently gone ex-dividend, as in **West Driefontein**, down ½ at £21⅛. But others like **Western Deep**, which attracted interest on Monday, held moderately steady with a fall of 15 to 751p. "**Freddies**" were steady at 120p after the increased dividend.

Australians were generally quiet, and lost ground in the afternoon as the premium eased. **MIM** were 12 lower at 176p. But **Pancontinental** remained very steady, holding a gain of 25 to 750p.

LONDON TRADED OPTIONS

Option	Ex'rc'se price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP	1100	165	5	190	—	246	—	1259p
BP	1300	14	—	70	2	125	—	"
Com. Union	140	12	—	21	34	24	—	149p
Com. Union	160	1½	—	9	—	12	3	"
Cons. Gold	220	8	10	18	—	30	—	217p
Cons. Gold	240	1½	—	11	2	16	—	"
Courtaulds	100	1	—	4½	—	7½	10	90p
Courtaulds	110	½	—	3	—	5½	20	"
GEC	330	40	5	61	—	77	—	368p
GEC	360	18	24	42	24	57	—	"
GEC	390	5	2	26	1	43	—	"
GEC	420	1	—	14	1	28	—	"
GEC	460	½	—	6	—	20	1	"
Grand Met.	108	38	—	41	19	—	—	145p
Grand Met.	128	18	53	24	—	32	—	"
Grand Met.	138	8½	65	18	40	24	—	"
Grand Met.	158	1½	—	8½	58	14	1	"
Grand Met.	178	½	—	2½	15	9	—	"
ICI	330	21	—	[illegible]	26	43	—	346p
ICI	360	5	—	15	25	25	—	"
Land Secs.	280	22	8	40	—	51	16	302p
Land Secs.	300	9	44	29	15	42	—	"
Land Secs.	330	1	—	15	24	26	11	"
Marks & Sp.	120	3½	6	9	5	14	2	115p
Shell	400	7	14	30	—	35	—	378p
Totals			252		266		63	
		August		November		February		
Boots	220	2½	—	9	—	13	2	195p
EMI	90	25	—	29	3	32	—	109p
EMI	100	17	1	25	—	27	—	"
EMI	110	10	40	17	—	20	5	"
EMI	120	4	10	12	22	16	8	"
EMI	130	3	—	6	10	—	—	"
EMI	140	2	3	4	11	—	—	"
Imperial Gp.	100	3	—	6	25	9½	—	94p
Imperial Gp.	110	¼	—	3	10	—	—	"
RTZ	260	27	4	40	7	50	—	278p
RTZ	360	1	—	7	8	—	—	"
Total			56		96		9	

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	80	1	6
Corpns. Dom and Foreign Bonds	41	—	24
Industrials	467	128	819
Financial and Prop.	166	76	[illegible]
Oils	[illegible]	6	10
Plantations	3	14	14
Mines	17	87	[illegible]
Others	17	99	35
Totals	813	411	1,208

FINANCIAL TIMES STOCK INDICES

	July 3	July 2	June 29	June 28	June 27	June 26	A year ago
Government Secs.	73.18	72.28	71.09	70.81	70.57	70.58	69.30
Fixed Interest	74.57	73.36	72.66	72.42	72.23	72.27	71.35
Industrial	479.5	475.1	473.4	469.3	466.9	475.2	463.7
Gold Mines	159.6	161.9	167.8	174.4	178.0	178.4	160.5
Gold Mines (Ex-$ pm)	149.1	150.6	152.4	155.6	158.9	161.5	105.1
Ord. Div. Yield	5.88	5.93	5.94	5.97	6.00	5.90	5.35
Earnings, Yld. % (full)	16.28	16.35	16.18	16.27	16.37	16.07	17.69
P/E Ratio (net) (*)	7.79	7.79	7.88	7.84	7.79	7.95	7.52
Total bargains	19,293	17,997	19,272	16,100	14,547	15,421	—
Equity turnover £m	—	81.09	110.58	85.88	67.48	71.15	42.97
Equity bargains total	—	12,127	15,490	13,831	10,702	11,778	11,538

10 am 476.8, 11 am 481.1, Noon 481.6, 1 pm 482.9, 2 pm 482.2, 3 pm 482.0.

Latest Index 01-246 8026.

* Nil=7.47.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. Ex-$ premium index started June, 1972. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979 High	1979 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/5)	64.84 (8/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.76 (8/5)	66.05 (15/2)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	446.1 (12/2)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	208.4 (8/6)	129.9 (17/4)	442.3 (22/5/75)	43.5 (26/10/71)
Gold Mines (Ex-$pm)	169.5 (8/6)	95.2 (2/11)	337.1 (3/4/74)	54.3 (25/6/76)

S.E. ACTIVITY

	July 3	July 2
—Daily		
Gilt Edged	200.7	[illegible]
Industrials	148.1	151.0
Speculative	23.6	18.6
Totals	103.4	88.4
5-d'y Av'r'ge		
Gilt Edged	148.6	125.0
Industrials	134.2	131.5
Speculative	25.3	[illegible]
Totals	91.5	88.0

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979 high	1979 low
Barclays Bank	£1	12	463	+13	514	360
BP	£1	11	1,260	+20	1,295	882
GEC	25p	11	368	+ 6	456	311
ICI	£1	10	345	—	415	345
Beecham	25p	9	550	+ 3	755	522
Ladbroke	10p	8	190	— 5	243	167
EMI	50p	7	108	+ 3	144	94
Imperial Group	25p	7	94	+ 2	108	82
Land Secs.	50p	7	300	+ 2	323	244
Midland Bank	£1	7	388	+ 3	455	348
NatWest Bank	£1	7	365	+15	406	275
Samuel Props.	25p	7	120	+ 4	131	88
Thorn Elect.	25p	7	412	+ 6	482	334
Ultramar	25p	7	320	+ 6	320	197
BAT Inds.	25p	6	275	— 2	382	263

NEW HIGHS AND LOWS FOR 1979

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979.

NEW HIGHS (50)

[illegible]

NEW LOWS (146)

[illegible]

STOCK EXCHANGE BUSINESS LAST MONTH

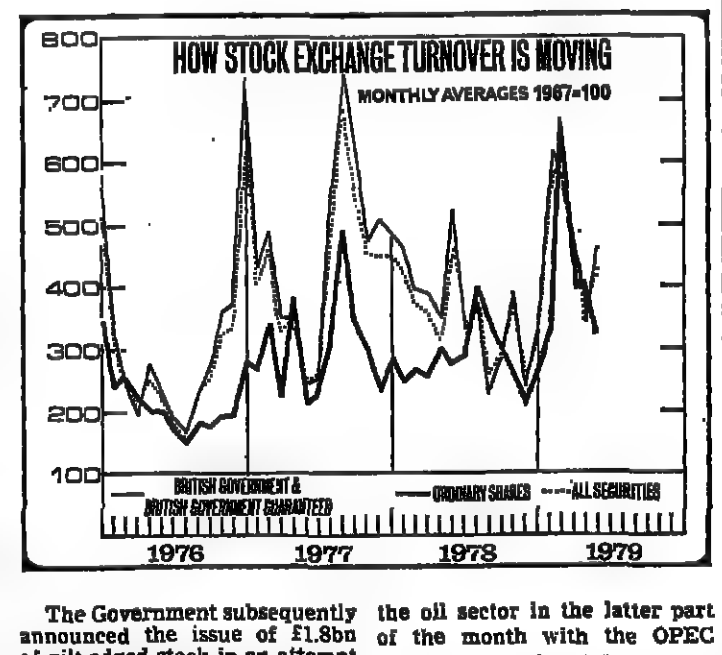
Gilt-edged turnover improves 26.5% in wake of Budget

BY NIGEL SPALL

BUSINESS IN stock markets recovered last month because of a greater trade in Government securities. Total turnover last month, at £13.76bn, was up by £1.80bn, or 15.07 per cent. However, business in ordinary shares contracted last month because of lack of investment incentive and prevailing economic worries.

The total number of bargains transacted fell from May's 516,355 to 396,537, but the Financial Times stock exchange turnover index rose from 366.5 in May to 432.7, against last year's monthly average of 354.3.

Business in gilt-edged securities recovered sharply to £10.89bn from £8.60bn, but trade *in short-dated stocks slipped* by 9.84 per cent from £4.82bn in May to £4.35bn. Longer-dated and irredeemables, however, recorded a 73 per cent gain from £3.78bn to £6.54bn.



The number of bargains done in British Funds rose in June by 481 to 58,930. Deals in the shorts averaged out at £22,625 (£20,815) and those in other stocks at £36,305 (£37,634). The FT turnover index for British Funds rose from May's 364.1 to 460.7 against last year's monthly average of 369.2.

The increased overall demand for Gilts followed Sir Geoffrey Howes's Budget on June 12 in which the lightening of the credit squeeze and the 2 per cent increase in minimum lending rate succeeded in establishing a base for selling gilt-edged stock.

It brought about the gilt market's busiest ever day on June 13, when the outstanding long tap stock was quickly exhausted after a price cut of *some £5? to £90.*

The Government subsequently announced the issue of £1.8bn of gilt-edged stock in an attempt to finance its borrowing needs.

The Government securities index reflected Budget hopes in the early part of the month, attaining a high point of 73.16 on June 7. Subsequently it reacted to end the month 1.82 lower at 71.09 after registering a month's low point of 70.24 on June 15.

Equity shares, somewhat overshadowed by events in the gilt-edged market, gave considerable ground on inflation worries following higher petrol costs. The strength of sterling, with its effect on overseas earnings, was a further depressing factor.

Sentiment was also adversely affected by hostile union reactions to the Budget. The oil *price rises did, however, buoy* the oil sector in the latter part of the month with the OPEC meeting a dominant force.

Trade in Ordinary shares fell from £2.25bn in May to £1.79bn. The number of bargains in equities showed a decrease on the month of 107,870 to 306,886, but the average value per bargain *rose from £5,436 to £5,846.* The FT turnover index for ordinary shares fell to 320.1, which compares with May's 402.3 and the 1978 average of 285.7.

The FT Industrial Ordinary index fell to a four-month low point of 466.9 before a partial rally in the wake of the gilt-edged revival left it 40.2 points down on the month at 473.4.

The FT Gold Mines index declined 28.5 points over the month from 196.3 to the month's lowest level of 167.8 on June 30 *after a high on June 6 of 208.4.*

Category	Value of all purchases and sales £m	% of total	Number of bargains	% of total	Average value per day £m	Average value per bargain £	Average no. of bargains per day
British Govt. and British Govt. Guaranteed:							
Short-dated (having five years or less to run)	4,349.7	31.6	22,625	5.7	207.1	192,252	1,077
Others	6,536.0	47.5	36,305	9.2	311.2	180,031	1,729
Irish Govt.:							
Short-dated (having five years or less to run)	223.3	1.6	715	0.2	10.6	312,334	34
Others	362.9	2.6	1,409	0.3	17.3	257,473	67
UK local authority	367.1	2.7	5,316	1.3	17.5	69,052	253
Overseas Govt.:							
Provincial and municipal	6.0	0.1	1,094	0.3	0.3	5,506	52
Fixed interest stock, preference and preferred ordinary shares	125.3	0.9	22,187	5.6	[illegible]	5,649	1,057
Ordinary shares	1,793.9	13.0	306,886	77.4	85.4	5,846	14,614
Total	13,764.2	100.0	396,537	100.0	*655.4	*34,711	*18,883

* Average of all securities.

MONTHLY AVERAGES OF STOCK INDICES

—	June	May	April	Mar.
Financial Times				
Government Securities	71.51	73.75	73.15	72.57
Fixed Interest	73.42	76.04	76.77	73.04
Industrial Ordinary	489.4	528.8	537.4	511.6
Gold Mines	188.6	173.7	145.2	165.2
Do. (Ex-$pm)	162.1	140.5	117.3	119.9
Total Bargains	16,661	—	—	—
F.T.—Actuaries				
Industrial Group	242.17	260.28	260.11	246.22
500 Share	276.92	293.12	294.02	276.79
Financial Group	193.14	207.94	207.65	195.36
All-Share (750)	253.54	269.62	269.94	254.97
Redeemable Debs. & Loans	58.46	61.26	60.23	55.25

	High	Low
Industrial Ordinary	516.9 (6th)	466.9 (27th)
All-Share	268.11 (6th)	245.66 (27th)

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jun. 26	July 9	Sep. 20	Oct. 2
July 10	July 23	Oct. 4	Oct. 16
July 24	Aug. 6	Oct. 18	Oct. 30

For rate indications see end of Share Information Service

Calls were dealt in Mixconcrete, MFI, British Land, Britannia Arrow, Town and City, EMI, Marks and Spencer, Lex Service, Coalite and Chemical and London and Northern. A put was done in EMI, while double options arranged included British Land and Spillers.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −	Div. F. or Amount	Times Covered	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −
[illegible]							

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Tues., July 3, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon. July 2 Index No.	Fri. June 29 Index No.	Thurs. June 28 Index No.	Wed. June 27 Index No.	Year ago (approx.) Index No.
[illegible]										

Figures in parentheses show number of stocks per section

FIXED INTEREST PRICE INDICES

British Government	Tues., July 3	Day's change %	xd adj. today	xd adj. 1979 to date
[illegible]				

FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.

[illegible]

[illegible]

AUTHORISED UNIT TRUSTS

Practical Invest Co. Ltd.♥ (y)(c)
44, Bloomsbury Sq., WC1A 2RA 01-623 8893

Practical June 27	153.4	162.7	----	4.43
Accom. Units	223.7	237.2	----	4.43

Provincial Life Inv. Co. Ltd.♥
222, Bishopsgate, EC2. 01-247 6533

Prolific Units	86.8	93.0	+0.3	3.88
High Income	136.5	146.0	+1.0	7.44

Scotbits Securities Ltd.

Scotbits	39.0	41.9	+0.9	4.27
Scotyield	51.4	55.2	+0.7	7.63
Scotshares	68.9	74.1	+0.4	4.41

Target Tst. Mgrs. (Scotland) (a) (b)
19, Athol Crescent, Edin. 3. 031-229 8621/2

American Eagle	26.0	28.0	-0.4	2.47
Thistle	42.9	46.1	+0.5	6.10
Extra Income	60.6	65.3	+0.1	10.57

Unit Trust Account & Mgmt. Ltd.
King William St. EC4R 9AR 01-623 4951

Friars Hse. Fund	42.8	45.6	----	4.35
Wieler Grth. Fnd.	31.6	33.3	----	4.57
Do. Accum.	37.9	39.9	----	4.57

Wieler Growth Fund
King William St. EC4R 9AR 01-623 4951

Income Units	31.6	33.3	----	4.57
Accum. Units	37.9	39.9	----	4.57

INSURANCE AND PROPERTY BONDS

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Equity Fund	37.7	39.7	+0.1	—
Equity Acc.	33.5	35.3	+0.1	—
Property Fd.	173.9	183.1	+1.9	—
Property Acc.	185.7	195.5	+2.0	—
Selective Fund	101.2	106.6	+0.4	—
Convertible Fund	139.9	147.3	+0.3	—
♥Money Fund	129.9	136.8	+0.2	—
♥Prop. Fd. Ser. 4	150.4	158.4	+1.4	—
♥Man. Fd. Ser. 4	148.2	156.0	+1.2	—
♥Equity Fd. Ser. 4	38.0	40.1	+0.1	—
♥Conv. Fd. Ser. 4	119.2	125.5	+0.2	—
♥Money Fd. Ser. 4	117.1	123.3	+0.2	—
Pension Property	212.8	224.1	+2.8	—
Pension Selective	97.4	102.6	+0.7	—
Pension Managed	202.5	213.2	+2.3	—
Pension Security	151.6	159.6	+0.5	—
Pension Equity Fd.	185.6	195.4	+1.6	—

Prices at July 3. Valuation normally Tuesday.

Crown Life Assurance—contd.

Fixed Int. Fd. Acc.	115.2	121.2	+2.2	—
Fxd. Int. Fd. Incm.	109.5	115.2	+2.1	13.30
Inter'l. Fd. Acc.	104.7	110.2	-0.6	—
Inter'l. Fd. Incm.	103.1	108.5	-0.7	7.82
Money Fd. Acc.	101.7	107.0	----	—
Money Fd. Incm.	96.0	101.0	----	14.00
Dist. Fd. Incm.	108.8	114.5	+1.6	10.26
Crown Brt. Inv.'A'	182.9	—	----	—

Crusader Insurance Co. Ltd.
Vincula House, Tower Pl., EC3. 01-626 8031

Grth. Prop. July 3	82.1	93.0	----	—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	60.7	63.0	+0.1	6.03

Equity & Law Life Ass. Soc. Ltd♥
Amersham Road, High Wycombe. 0494 33377

Equity Fd.	128.2	134.9	+1.9	—

Lloyds Life Assurance—contd.

Op. 5 Man June 28	166.0	174.8	----	—
Op. 5 A Dep. June 28	128.7	135.5	----	—
Pens. Pr. Ac. June 29	151.4	159.4	----	—
Pens.Prp.Cap. June 29	138.0	145.3	----	—
Pns.Eq.Ac. June 29	351.5	370.0	----	—
Pns.Eq.Cap. June 29	320.4	337.3	----	—
Pns.Fxd.Ac. June 29	203.9	214.7	----	—
Pns.Fxd.Cap. June 29	185.9	195.7	----	—
Pns.Mng.Ac. June 29	247.0	260.1	----	—
Pns.Mg.Cap. June 29	225.1	237.0	----	—
Pns.Dep.Acc. June 29	157.1	165.4	----	—
Pns.Dp.Cap. June 29	143.2	150.8	----	—

London A'deen & Nthn. Mtl. Assur. Ltd.
129 Kingsway, London, WC2B 6NF. 01-404 0393

'Asset Builder'	48.0	50.5	----	—

London Indemnity & Gnl. Ins. Co. Ltd
18-20, The Forbury, Reading 583511.

Money Manager	35.2	37.8	-0.1	—
M.M. Flexible	31.7	33.5	----	—
Fixed Interest	36.9	39.0	+0.4	—

Prudential Pensions Limited◊
Holborn Bars, EC1N 2NH. 01-405 9222

Equity Fd. June 20	£28.88	29.77	----	—
Fixed Int. June 20	£21.03	21.31	----	—
Prop. Fd. June 20	£32.16	33.15	----	—

Reliance Mutual
Tunbridge Wells, Kent. 0892 22271

Rel. Prop. Bds.		251.6	----	—

Rothschild Asset Management
St. Swithins Lane, London EC4. 01-626 4356

N.C. Prop.	133.8	142.4	----	—

Next sub. period June 29/July 13.

Royal Insurance Group
New Hall Place, Liverpool. 051-227 4422

Royal Shield Fd.	163.3	172.7	+0.4	—

Save & Prosper Group♥
4, Gt.St.Helen's, Lndn., EC3P 3EP. 01-554 8899

Bal. Inv. Fd.	137.0	145.0	-0.1	—

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg.

Alexander Fund		US$7.84	----	—

Net asset value June 25.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741

AHR Gilt Edg.Fd.	£12.13	12.14	----	12.23

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey. 0534 76077

Cap. Tst. (Jersey)	119.0	123.0	----	8.13

Next dealing July 9.

Gov't Secs. Tst.	93.5	97.0	----	12.89

Next dealing July 9.

East &Intl.Tst.(CI)	100	107	----	3.50

Next dealing date July 12.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127 Kent St., Sydney

US$1 Shares		$US1.48	----	—

Net asset value November 24.

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

Wldinvest Income	112.83	113.43	----	8.16

Prices at June 28. Next sub. day July 4.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels

Renta Fund	US$58.71	60.52	-0.07	8.08

Barbican Managers (Jersey) Ltd.
P.O. Box 63, St. Helier, Jersey 0534 74806

Barb. Int. Fund	84.2	89.2	----	5.00

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

Overseas Income	47.3	49.8	-1.3	12.75
Unidollar Trust	US$11.56	12.15	----	1.66
Unibond Trust	US$98.28	99.22	+0.14	9.00

1, Thomas St., Douglas, Isle o.Man. 0624 4856

Unicorn Aust. Ext.	40.9	44.0	----	2.00
Do. Aust. Min.	30.4	32.7	-0.2	1.80
Do. Grtr. Pacific	67.7	72.7	----	—
Do. Intl. Income	36.5	39.3	----	8.90
Do. Isle of Man Tst.	47.2	50.8	----	8.90
Do. Manx Mutual	26.1	28.1	----	1.80

Kemp-Gee Management. Jersey Ltd.
1 Charing Cross, St. Helier, Jersey. 0534 73741

Capital Fund	113.5	117.0	----	—
Income Fund	64.6	66.7	----	9.16
Gilt Bond	£1,015	1.069	----	—

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070

Fonselex	Fr1,305	1,436	----	2.40
Bondselex	117.10	122.90	----	2.40
Cent. Assets	£147.25	147.33	+0.19	—

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Grnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

Gilt Fund (Jersey)	9.50	9.55	+0.23	11.75
Gilt Trust (I.o.M.)	107.7	110.5	----	11.75
Gilt Fnd. Guernsey	9.47	9.53	----	12.00

Intl. Govt. Secs. Tst.

First Sterling	£21.04	21.17	+1.78	—
First Intl.	$US233.19	234.09	+16.05	—

Kleinwort Benson Limited
20, Fenchurch St., EC3. 01-623 8000

Eurinvest		LF1111	+4	4.32
Guernsey Inc.	67.0	71.0	----	4.61
Do. Accum.	85.2	90.2	----	4.61
KB Far East Fd.		US$13.16	----	2.28
KB Gilt Fund	£10.76	10.82	----	11.46
KB Intl. Fund		US$12.46	----	2.25
KB Japan Fund		US$32.37	----	0.92
K.B. U.S. Gwth. Fd.		$US13.18	----	1.59
Signet Bermuda		US$5.31	----	1.88
K.B. Int. Bd. Fd.		$101.23	-3.17	—

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Hellier, Jersey. 0534 27561

Lloyds Tst. O'seas	52.1	54.8	----	2.75

Next dealing July 16.

Lloyds Trust Gilt	£10.09	10.10	----	12.00

Next dealing July 4.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)

Lloyds Int. Growth	SF332.00	355.5	----	1.20
Lloyds Int. Income	SF291.5	303.0	----	5.30

M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588

Atlantic July 3	$US3.56	3.89	-0.02	—

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1979 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
98⅛	94⅝	Treasury 3pc '79‡‡	97¹³⁄₃₂	+⅟₃₂	3.07	13.62
98½	95⅝	Electric 4½pc '74-79	97⅟₃₂	+⅟₃₂	4.35	13.69
100¼	54⅝	Treasury 10½pc '79‡‡	99	+⅟₁₆	10.61	13.30
97½	94½	Electric 3½pc '76-79	96¾	......	3.62	12.66
99⅝	95⅝	Treasury 9pc 1980‡‡	97⅝	+⅛	9.22	12.67
99⅝	95⅟₁₆	Treasury 9½pc '80‡‡	97½	+⅟₁₆	9.74	12.53
97	92¾	Treasury 3½pc '77-80	95¾	......	3.65	8.22
97⅛	92⅞	Funding 5¼pc '78-80‡‡	96⅛	......	5.45	9.29
103⅝	99¾	Exchequer 13pc 1980‡‡	101⅛	+⅟₁₆	12.84	11.91
102⅛	96¹¹⁄₁₆	Treasury 11½pc 1981‡‡	100xd	–⅟₁₆	11.50	11.48
93½	88⅞	Treasury 3½pc 1979-81	92⅛	+⅛	3.80	8.81
99¹¹⁄₁₆	92⅞	Treasury 9¾pc 1981‡‡	97⅜	+⅟₁₆	10.02	11.43
96¾	89½	Exch. 8¼pc 1981	95⅟₁₆	+⅟₁₆	8.67	11.04
98¹¹⁄₁₆	91¼	Exch. 9½pc 1981	96⅟₁₆xd	+⅟₁₆	9.84	11.41
91⅛	84¼	Exch. 3pc 1981	88½	......	3.39	9.04
98⅞	96	Treas. Variable '81§§	97¹¹⁄₁₆	+⅟₁₆	14.16	14.98
104⅝	97⅞	Exch. 12¾pc 1981‡‡	102⅛	+¼	12.47	11.59
96⅞	88	Treas. 8½pc '80-82‡‡	94⅛xd	......	9.03	11.22
89½	82	Treasury 3pc '82‡‡	85⅞	+¼	3.49	9.18
108⅝	100⅝	Treasury 14pc '82‡‡	104⅞	+¼	13.35	11.78
97¼	94⅝	Treas. Variable '82§§	96⅟₁₆	+⅟₁₆	14.34	15.36
95¼	85⅝	Treasury 8¼pc '82	92⅝xd	+⅛	8.91	11.20
97¼	86½	Exch. 9¼pc 1982	93⅜	+⅛	9.91	11.74
95⅞	84⅝	Exch. 8¾pc 1983	92⅞xd	+¼	9.42	11.25
86⅛	77¼	Exch 3pc '83	81½	+⅛	3.68	9.08
104⅝	93⅛	Treasury 12pc 1983‡‡	100¼	+⅜	11.97	11.87
104	93⅛	Treas. 12pc '83 A‡‡	99⅞	+¼	12.02	12.00
95	93½	Treas. Variable '83§§	94⅟₁₆	+⅟₁₆	15.15	16.29
97¼	84½	Treasury 9¼pc '83	92½xd	+½	9.97	11.55
98⅟₁₆	85½	Exch. 10pc 1983	93⅝	+⅜	10.68	11.87
89½	78⅝	Funding 5½pc '82-84‡‡	85xd	+¼	6.47	9.65

Five to Fifteen Years

1979 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
52⅝	49¼	Treas. 12pc '84 (£50pd.)	51⅞	+⅛	12.10	12.22
110	93¼	Exch. 12¼pc 1985	101⅛	+½	12.29	12.30
95	80	Treasury 8½pc '84-86‡‡	88¾xd	+⅞	9.56	10.79
112⅛	97¼	Exch. 13¼pc 1987	103xd	+⅞	12.78	12.48
84⅛	72½	Funding 6½pc '85-87‡‡	81¼	+⅞	8.11	10.25
88⅞	73½	Treasury 7¾pc '85-88‡‡	82¼xd	+⅞	9.37	10.91
70⅝	58⅝	Transport 3pc '78-88	65½	+⅞	4.58	8.59
73	61⅛	Treasury 5pc '86-89	70½	+⅞	7.20	9.78
113⅞	93¼	Treasury 13pc 1990‡‡	104¾xd	+1⅛	12.39	12.16
89¼	72¾	Treasury 8¼ 87-90‡‡	82	+1	10.11	11.21
106⅛	86¼	Treasury 11¾pc 1991	96¼xd	+1⅛	12.12	12.25
72½	60⅝	Funding 5¾pc '87-91‡‡	70	+⅞	8.38	10.44
98⅝	89¼	Exch. 11pc 1991	93⅞	+1⅛	11.89	12.18
111⅝	91	Treasury 12¾pc '92‡‡	102xd	+1⅛	12.42	12.33

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

1979 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
107	100	Do. 14pc '79	101	......	14.24	—
108¼	98¼	Do. 14pc '83	104	+1¼	13.47	12.76
86½	77½	ICFC 5½pc Deb. '80-82	84½	+½	6.65	12.20
85	71½	Do. 6¾pcDb. '81-84	79	+2½	8.02	12.00
99	84½	Do. 10½pc Uns. Ln. '86	91xd	+1	11.53	12.60
99	84½	Do. 11pc Uns. Ln. '88	91xd	+½	12.08	12.60
101½	84	Do. 11¾pc Uns. Ln. '90	94xd	+1½	12.50	12.80
72½	57	Do. 7¼pcA Deb. '89-92	65xd	+½	11.15	12.70
69	53½	Do. 7¼pcA Db. '91-94	65½	+1½	11.48	12.80
81½	64½	Do. 9pc 'A' '91-94	76½	......	12.22	13.00
78½	62½	Do. 8¾pc Ln. '92-97	75½	+¼	12.39	13.00
101	95½	Do. 12½pc. Uns. Ln. 1992	99½	+2	12.95	13.10

FOREIGN BONDS & RAILS

AMERICANS

S.E. List Premium 7% (based on US$2.1960 per £)
Conversion factor 0.6940 (0.6901)

CANADIANS

S.E. List Premium 7% (based on 2.5632 per £)

BANKS AND HIRE PURCHASE

BANKS & HP—Continued

1979 High	Low	Stock	Price	+ or –	Div. Net	Cvr	Y'ld Gr's	P/E
16	13	Dawes (G. R.)	15	......	—	—	—	—
£121	£70	Deutsche Bank DM50	£70	–2	Q18%	—	3.3	—
90	63	F. C. Finance	70	+5	2.2	4.9	4.5	6.5
8¼	5¼	First Nat. 10p	6¼	+½	—	—	—	0.5
4	2	Do. Wrts. 75-83	2½	......	—	—	—	—
16¼	13½	Fraser Ans. 10p	13½	......	—	—	—	—
266	178	Gerrard Natnl.	266	+6	9.12	—	4.9	—
62	39	Gibbs (A.)	43	+3	2.2	—	7.3	—
270	217	Gillett Bros. £1	265	+2	16.95	—	9.1	—
29	19	Goode D't Mry.5p	23	......	0.25	—	1.6	—
153	116	Grindlays	125	+1	3.07	7.5	3.5	3.9
120	97	Guinness Peat	98	......	H5.67	—	8.3	—
330	173	Hambros	315xd	+13	10.92	—	5.0	—

Hire Purchase, etc.

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FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
[illegible]							
305	150	Middle Wit 25c	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
95	64	Mincorp 12½p	93#	......	1.5	0.9	23
230	143	Minorco SBD1.40	146	+3	Q12c	1.5	4.2
163	98	New Wit 50c	122	−4	†Q16c	1.7	8.0
£12⅞	925	Patino NV Fls.5	925	−10	QC50c	ϕ	3.2
73	41	Rand London 15c.	58	......	¶10c	3.0	10.5
596	442	Selection Trust	500	−6	20.84	1.5	6.0
275	168	Sentrust 10c.	203	−2	Q38c	ϕ	11.2
45	36	Silvermines 2½p	41xd	+1	1.5	ϕ	4.9
194	158	Tanks Con. 50p	172	......	Q10.0	1.3	5.8
92	85	Do. Pref. 80p	85	......	Q9%	17.7	8.5
£20¼	£10⅝	T'vaal.Cons.Ld.R1	£14¼	−½	†Q125c	3.3	5.2
365	215	U.C. Invest R1	245	−15	Q42c	1.5	10.0
468	255	Union Corpn. 6.25c.	335	−20	Q47c	2.1	8.4
100	55	Vogels 2½c	75	......	Q12c	1.3	10.0

DIAMOND AND PLATINUM

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
£49¾	£35	Anglo-Am.Inv.50c	£39	−1	Q750c	1.1	11.5
482	362	De Beers Df. 5c	362	−1	Q65c	3.0	10.7
£11	875	Do. 40pc Pf. R5.	875xd	−25	Q200c	49.7	13.6
240	164	Impala Plat. 20c	164	−6	†Q18.4c	3.2	6.7
111	66	Lydenburg 12½c	77	−2	†Q6.8c	0.9	5.3
177	94	Rus. Plat. 10c	116	−2	Q8c	2.7	4.1

CENTRAL AFRICAN

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
320	132	Falcon Rh.50c	305	+5	†Q60c	1.7	14.3
35	11	Rhod'n Corp. 16⅔p.	31	+1	0.56	6.5	2.6
135	70	Roan Cons. K4	95	......	—	—	—
65	26	Wankie Col. Rh.1	61	+1	Q9c	1.9	10.7
15	10	Zam.Cpr.SBD0.24	10½	......	—	—	—

MINES—Continued
AUSTRALIAN

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
14	9	Acmex	12	......	—	—	—
171	105	Bougainville 50 Toea	105	−3	Q15c	1.0	8.8
140	84	BH South 50c.	86	−1	—	—	—
860	340	Central Pacific	840	−20	—	—	—
318	182	Conzinc Riotinto 50c.	182	−4	§Q10c	2.0	3.2
36	16	Cultus Pacific N.L.	22	......	—	—	—
21½	11	Endeavour 20c	12½	−½	—	—	—
98	62	G.M. Kalgoorlie $1	77	......	Z03c	—	2.2
42	23	Hagma Gold N.L.	24	......	—	—	—
174	148	Hamptn Areas 5p.	172	+2	♦t3.55	2.0	3.0
71½	25	Metals Ex. 50c	41	−4	—	—	—
275	170	M.I.M. Hldgs. 50c	170	−13	†Q9c	1.7	3.0
15	15	Minefields Expl.	15	......	—	—	—
74	38	Mount Lyell 25c	40	......	—	—	—
44	15	Newmetal 20c	16	......	—	—	—
141	91	North B. Hill 50c	91	−5	†Q8c	1.9	5.0
22	11	Nth. Kalgurli	14½	−1	—	—	—
40	22	Nth. West Mining	23	......	—	—	—
137	84	Oakbridge $A1	85	−3	Q12c	1.9	8.2
37	22	Oilmin N. L.	34	+1	—	—	—
120	58	Pacific Copper	64	−2	—	—	—
£10¾	625	Pancont'l 25c	750	+25	—	—	—
25¾	15½	Paringa M&Ex.5p	20½	−½	—	—	—
510	268	Peko-Wallsend 50c.	292	+8	Q15c	3.3	2.9
340	145	Southern Pacific	335	−5	—	—	—
188	121	Westn. Mining 50c	121	−5	†Q3c	0.7	1.4
11	9	Westmex	10	......	—	—	—
65	50	Whim Creek 20c	50	......	—	—	—
25	13	York Resources	13	......	—	—	—

TINS

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
30	23	Amal. Nigeria	26	......	2.81	1.3	15.4
435	265	Ayer Hitam $M1	265	−20	Q300c	0.5	24.8
72	51	Beralt Tin	52	−1	4.0	3.3	11.0
270	175	Berjuntai $M1	175	−5	†Q110c	1.0	15.4
160	125	Geevor	127	+2	8.71	3.1	9.8
10½	8	Gold & Base 12½p	9½	......	—	—	—
365	295	Gopeng Cons.	335	......	†18.0	1.4	7.7
370	295	Hongkong	320	......	†12.5	2.8	5.6
98	64	Idris 10p	87	......	8.0	♦	13.7
14	9½	Jantar 12½p.	10	......	♦	—	—
95	58	Kamunting $M0.50	58	−5	†Q12.5c	2.1	4.6
620	210	Killinghall $M1	350	−10	—	—	—
465	365	Malay Dredging $M1	375	−10	†175c	0.7	1.7
57	30	ΔPahang	30	−1	—	—	—
123	60	Pengkalen 10p	103	......	4.5	1.2	6.5
275	205	Petaling $M1	210	−5	†Q120c	1.3	12.5
85	67	Saint Piran	67	......	†2.03	6.5	4.3
58	46	South Crofty 10p.	46	......	†4.19	2.0	13.0
230	170	South Kinta $M0.50	170	−5	†sQ145c	0.6	18.3
405	285	Sthn Malayan $M1	345	−10	†Q190c	1.0	11.8
310	210	Sungei Besi $M1	245	−10	mQ65c	5.3	5.7
75	48	Supreme Corp. $M1	48	......	ZQ10c	—	4.5
105	94	Tanjong 15p	95xd	......	7.5	♦	11.3
115	90	Tongkah H. Tin	90	−5	†Q24c	0.7	6.0
280	190	Tronoh $M1	190	......	Q25c	5.2	3.0

COPPER

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
111	56	Messina R0.50	70	......	—	—	—

MISCELLANEOUS

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
81	54	Barymin	68	......	—	—	—
13½	10	Burma Mines 17½p	12	......	—	—	—
945	170	Cons. Murch. 10c.	270xd	−5	ZQ30c	—	6.6
410	325	Northgate C$1	360	−15	—	—	—
362	226	R.T.Z.	276	+1	11.5	2.7	6.0
31	18	Robert Mines	23	......	—	—	—
65	36	Sabina Inds. C$1.	37	......	—	—	—
880	600	Tara Exptn. $1	600	−12	—	—	—

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
$17½	$10½	Buffels R1	$14⅝	......	Q200c	♦	16.4
$15½	890c	East Drie R1	$13⅜xd	......	†Q115c	1.6	10.2
950c	350c	East Rand Prp. R1	900cxd	+12	†Q10c	—	1.3
$27½	$18¼	F.S. Geduld 50c	$26⅞	−⅛	†Q315c	2.4	13.9
$19⅛	$11⅛	Pres. Brand 50c	$18⅛	......	†Q150c	3.2	9.8
$18⅝	$10¼	St. Helena R1	$17	−⅛	†Q190c	1.4	13.2
760c	407c	Stilfontein 50c	640c	+10	†Q66c	ϕ	12.9
$34⅜	$18¾	Vaal Reefs 50c	$32⅝	+⅛	Q280c	2.7	9.9
$50¼	$28¾	West Drie R1	$44¾xd	−¼	Q615c	1.7	16.4
$35¾	$22¼	West Hldgs. 50c	$32¾	−⅛	†Q415c	1.4	15.0
$16¼	$10⅞	Western Deep R2	$15⅜	−⅛	Q147½c	2.1	11.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ● Figures or report awaited.
- †† Unlisted security.
- ¤ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ▲ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✤ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26		Sindall (Wm.)	148
Bertam	25		**IRISH**	
Bdg'wtr. Est. 50p	400		Conv. 9% '80/82	£87⅝
Clover Croft	28		Nat. 9¼% 84/89	£74⅝
Craig & Rose £1	£11½		Fin. 13% 97/02	£88½
Dyson (R. A.) A	28		Alliance Gas	62
Ellis & McHdy	68		Arnott	378
Fife Forge	54		Carroll (P.J.)	113 +2
Finlay Pkg. 5p	20		Clondalkin	80 −6
Graig Ship. £1	310		Concrete Prods.	100
Higsons Brew	78		Heiton (Hldgs.)	80
Holt (Jos) 25p	260		Ins. Corp.	217
I.O.M. Stm. £1	160		Irish Ropes	87¼
Pearce (C. H.)	240		Jacob	45
Peel Mills	30		T.M.G.	190
Sheff. Refrshmt	90		Unidare	83

OPTIONS
3-month Call Rates

Industrials		I.C.I.	24	Tube Invest.	30
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B.S.R.	7	Inveresk	7	Utd. Drapery	10
Babcock	18	KCA	5	Vickers	18
Barclays Bank	32	Ladbroke	22	Woolworths	7½
Beecham	52	Legal & Gen.	14		
Blue Circle	18	Lex Service	11	**Property**	
Boots	18	Lloyds Bank	25	Brit. Land	7½
Bowaters	18	"Lofs"	5	Cap. Counties	9
B.A.T.	28	London Brick	7	Land Secs.	25
Brown (J.)	50	Lonrho	8	MEPC	17
Burton 'A'	26	Lucas Inds.	25	Peachey	13
Cadburys	7	"Mams"	18	Samuel Props.	14
Courtaulds	10	Mrks. & Spncr	11	Town & City	2¼
Debenhams	8	Midland Bank	30		
Distillers	21	N.E.I.	14	**Oils**	
Dunlop	6½	Nat. West. Bank	28	Brit. Petroleum	100
Eagle Star	14	Do. Warrants	15	Burmah Oil	13
E.M.I.	12	P & O Dfd.	10	Charterhall	5
Gen. Accident	21	Plessey	10	Premier	5
Gen. Electric	35	R.H.M.	5	Shell	25
Glaxo	50	Rank Org.	25	Ultramar	25
Grand Met.	14	Reed Intnl.	18		
G.U.S. 'A'	30	Sears	5½	**Mines**	
Guardian	24	Spillers	4½	Charter Cons.	16
G.K.N.	28	Tesco	7	Cons. Gold	20
Hawker Sidd	26	Thorn	35	Rio T. Zinc	27
House of Fraser	18	Trust Houses	17		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Wednesday July 4 1979

JOSEPH ACTS AS £309M LOSS IS ANNOUNCED

British Steel set cash target

BY ROY HODSON

A NEW British Steel Corporation strategy to reduce losses is likely to involve cuts in unprofitable export business and a faster programme of works closures.

Following the announcement yesterday of a BSC loss of £309m for 1978-79, Sir Keith Joseph, Industry Secretary, announced in a Commons written reply that he has set the corporation the target of operating at a profit in 1980-81.

The Government is setting the corporation cash limits which will cover fixed investment and other essential capital requirements when added to internally generated funds. It does not intend to finance the corporation's operating losses after the current financial year.

But next year may see a capital reconstruction leading to a substantial reduction in British Steel's heavy finance costs.

The BSC loss announced by Sir Charles Villiers, chairman, compares with a £443m loss the previous year. Sir Charles forecast a loss "within £150m" for the first half of 1979-80 and gave a warning that the corporation had not been able to provide for adverse contingencies in the second half of the year. The economic indicators had become more unfavourable since the board had set a target in April, 1978, to break even by March, 1980.

Eleven of the 14 profit-reporting centres of the corporation made losses during 1978-79. In Wales all three strip mills lost money and the total loss by the Welsh division was £96.6m. The Scottish division lost £83m, Teesside £81m, Scunthorpe £27.8m, Sheffield £25.7m and the Tubes division £11.7m.

Sir Charles said the British Steel Board had not accepted the proposal he put to it last week for further decentralisation of the management structure. He accepted the judgment of the board members that, however desirable decentralisation might be, this was not the time for it.

Now that a radical reconstruction of British Steel's management is officially dead, senior executives propose to fight to reach the March, 1980, target by cutting back unprofitable steelmaking and sales as fast as the Government and the unions will allow.

Roger Taylor

Sir Charles Villiers: Forecast deficit "within £150m."

Steel exports totalled 2.9m tonnes last year compared with 3.2m tonnes the year before. But a large part of the business was accepted at low prices to provide work for the steel mills. In future the corporation will be prepared to shed unprofitable business even though it may mean permanent withdrawal from some overseas markets.

The policy is expected to reduce British Steel's production to the lowest levels since nationalisation. Last year production was 17.3m liquid tonnes, compared with 17.4m tonnes the previous year.

The corporation is revaluing its fixed assets on the basis that it has more steel plant than it can expect to utilise. Production is about 80 per cent of capacity.

The corporation intends to start publishing quarterly results in August so that the performances of works and groups of works can be closely monitored.

Feature and Editorial Comment, Page 20

Saudi oil output 'up 1m barrels'

BY RICHARD JOHNS

SAUDI ARABIA has decided to increase oil output from its main fields by a full 1m barrels a day, according to reports from the Kingdom.

The increment over and above the *present official* ceiling of 8.5m barrels a day is on a "temporary" basis and could be removed from the market at any time but it is understood that production would be maintained at this level for the third quarter.

It will take a few days to raise the rate to the 9.5m barrels which the Saudi Government believes to be the optimum for technical reasons, quite apart from political considerations relating to other members of the Organisation of Petroleum Exporting Countries (OPEC).

An extra 1m barrels would be slightly in excess of the 800,000 barrels a day that Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, calculates as the present shortfall in world supplies.

It would help considerably to bring supply and demand into equilibrium, providing consumption is restrained, thus stabilising the dual price structure set by OPEC at its ministerial conference last week in Geneva and calming down the market. That conference set an upper limit of $23.50 a barrel.

Last night a spokesman for the Arabian American Oil Company said that the Kingdom's partners in the operation had not been informed of the decision, **David Buchan writes from Washington.** He said that Mr. John Kelberer, chairman of the Board, would be likely to have talks with Sheikh Yamani in Britain this week.

The Americans in Aramco—Exxon, Socal, Texaco and Mobil—will be anxious to know whether their entitlement will be increased and, if so, by how much.

In London, an American attorney advising OPEC said that the law suit brought against it in a U.S. District Court in California by the International Machinists and Aerospace Workers could have "explosive" consequences in terms of confrontation between the industrialised countries and oil producers.

Dr. Khalid al Mansour, head of a San Francisco law firm, was present at the closed ministerial session at which the legal action against alleged "price fixing" by OPEC was discussed. The possibility of enforcing a limited embargo on the U.S. if judgment went against OPEC was discussed, he said.

Sue Cameron writes: An increase in Saudi oil production will almost certainly wreck attempts by Nigeria to charge spot market prices for part of her production. Last week Nigeria asked some of her third party customers to pay about $30 a barrel for half the crude they obtained under long-term contracts.

That price would have been rather lower than the full spot market price — Nigerian oil has been fetching around $36 a barrel. Customers would have paid the official price for the other half of the crude they bought from Nigeria.

It is thought that Nigeria, which produces about 2.4m barrels of crude a day, would have had about 0.5m barrels a day to sell at the $30 a barrel price. But large oil companies said yesterday that the Saudi decision to increase production should reduce to a trickle the amount of oil being sold on the spot market at inflated prices.

Continued from Page 1

Sterling

tervening regularly, but only on a relatively limited scale.

This is confirmed by an underlying inflow into the reserves of $588m in June.

This compares with just over $1bn in March and of several billion dollars in the early autumn of 1977, when the Bank was actively trying to hold down the pound.

The published reserves total, announced yesterday, rose by $538m to $22.07bn (£10.16bn), after taking account of new borrowing, mainly by nationalised industries, of $261m, and of debt repayments of $311m.

Overseas interest was again reported in the gilt-edged market, where prices rose sharply on hopes of lower interest rates.

The 1999 stock (the former long tap) rose to £19⅞ in its £15 partly-paid form at one stage, compared with the price of £15⅞ at which supplies were exhausted on Monday.

Profit-taking cut the price back to £19½ by the close. A further call of £25 is due on Friday.

Other gilt-edged stocks closed up to two points higher at the long-end, and the FT Government Securities Index closed at its highest level for nearly six weeks.

Continued from Page 1

Miners

when South Wales pickets appear at those coalfields.

But the big question is whether yesterday's vote will be translated into a battle with the Government over the amount and timing of the next settlement.

Mr. Scargill gave a warning during the debate that if the national executive did not act on the clear instruction of the conference the rank and file would take matters into their own hands, as in 1969. The union might have to fight again as it had in the official strikes of 1972 and 1974.

This year's wage increase of £6.50 had been "wiped out overnight" by an anti-working class Budget. The police, the doctors and the armed forces had been awarded 25 to 30 per cent. Anything less for the miners would be a sell-out, he said.

The wage rates demanded by the resolution—£80 a week minimum for surface workers and £140 a week for men on the coal face—were not too much for men who worked in the bowels of the earth producing the energy that the country so badly needed.

Babcock expands U.S. activity with £34m deal for Keeler

BY JOHN MOORE

BABCOCK AND WILCOX, the UK engineering group, is buying the Keeler Corporation of the U.S. in a $75m (£34m) deal to reinforce its other major North American activities.

Keeler, a private company, is one of the largest independent die casters of zinc products in the U.S. It is a major supplier of furniture hardware, such as handles and castors.

The group supplies the American motor trade with a range of hardware, and these activities contributed $87m to the total Keeler turnover of $146m in its last financial year.

Keeler reported taxable profits of $10.4m for the year ending January 27, 1979.

Babcock is financing the acquisition with $22m from existing liquid resources and the balance of $53m is to be provided by an unsecured long-term dollar bank loan.

Babcock said yesterday that the deal will reinforce the base that it established in the U.S. with the purchase of Acco Industries Inc. (formerly American Chain and Cable Company Inc.) in 1975. The Keeler purchase will give Babcock a position in the high volume consumer market for engineering products.

Keeler's last balance sheet showed net tangible assets of $47.5m and the acquisition will increase Babcock's North American turnover by 40 per cent.

On the London stock market, shares of Babcock and Wilcox rose 10p to 175p.

Chrysler Europe loss 'to grow'

BY TERRY DODSWORTH IN PARIS AND ARTHUR SMITH IN BIRMINGHAM

CHRYSLER EUROPE is expected to run up significantly higher losses this year than in 1978, when its deficit reached about FFr 100m (£10.3m).

This gloomy forecast has been given by PSA Peugeot-Citroen, the French company which acquired Chrysler Europe last year in a $430m deal. PSA says the losses will accrue in spite of reasonably satisfactory trading, which has seen Chrysler sales this year equal last year's level, except in export orders for Iran.

A significant part of the company's problems this year derive from the drying up of shipments to Iran. The decline in this area will hit the UK company, in spite of an improving penetration in the British market.

The French company has not yet recovered from its slide back into deficit last year. At the beginning of 1979 Chrysler France was forced to lay off workers in an effort to reduce output and run down stocks, which had mounted to a level considered too costly to support by the new PSA amangement.

Another factor in the mounting losses is the cost of reorganisation. M. Jean-Paul Parayre, the head of PSA, recently told shareholders that Chrysler Europe was having to bear costs which were accruing from its adaptation to the PSA group.

Chrysler Europe said yesterday that the aim of the group was to get back into profits next year, by which time substantial new investments are planned in the process of integration with PSA.

It is clear that strike threats in Britain could prejudice this climb back to profitability. But yesterday the European organisation said that these were problems which had to be sorted out by the UK subsidiary.

Arthur Smith, Midlands Correspondent, writes: The 3,500 workers at Chrysler UK's Stoke engine plant, Coventry, voted overwhelmingly yesterday to strike from next Tuesday unless the company improves its pay offer.

The men, who are demanding an increase in the company's proposed 5½ per cent rise in basic pay, have agreed to continue talks about a new incentive scheme.

Power workers demand parity

BY ALAN PIKE, LABOUR CORRESPONDENT

ATTEMPTS BY the Electricity Council to resolve threatened industrial action by 27,000 power engineers last night plunged the industry into fresh trouble with its manual workers.

The power engineers' leaders, who have rejected an offer which the council says is worth 16-18 per cent, yesterday called off threatened industrial action after being told they will be offered an improved package later this month.

Mr. Jack Biggin, secretary of the trade union committee representing the manual grades, declared immediately that manual workers would "vigorously pursue a pay claim" in line with the engineers. The manual workers have already rejected one pay offer and are at present balloting on revised proposals worth about 14 per cent. Their decision will be known later this month.

But Mr. Biggin said yesterday that "notwithstanding the result of the ballot," the manual unions would demand an equivalent increase to that offered to the engineers.

This places the electricity boards in a potentially hopeless position since the power engineers are demanding a settlement which will improve their differentials against the manual workers, eroded during recent years of pay policy.

Mr. John Lyons, general secretary of the Electrical Power Engineers Association—part of the Engineers and Managers Association—was at the Electricity Council until early yesterday morning for informal talks on the engineers' claim. He left satisfied that sufficient progress had been made to enable a satisfactory settlement to be reached at the next formal meeting on July 17.

Later yesterday Mr. Lyons's executive met and, on the basis of assurances given during the informal talks, decided to call off plans for industrial action.

Autumn rise in air fares likely

By Michael Donne, Aerospace Correspondent

FURTHER RISES in air fares of between 10 and 15 per cent from this autumn are expected to follow a meeting of more than 100 airlines in Geneva on July 17.

The meeting, called by the International Air Transport Association, will study the sharp increases in fuel prices since the last fares rises were introduced on April 1, and the likely results of the recent OPEC crude oil price rise.

The effect of these increases on the airlines is expected to be a rise of several cents a U.S. gallon for aviation gasoline, raising its average level to over 80 cents a gallon from the present 70-75 cents a gallon.

This compares with an average of 40 to 45 cents a U.S. gallon prevailing in the latter part of last year.

Aviation fuel prices vary widely throughout the world. In the U.S., they range already from 67.7 cents a gallon to $1.10, while elsewhere the prices vary between 70 to 75 cents, but prices on the spot market are up to and in some cases well above a dollar a gallon.

Some aviation observers now believe that an average world-wide price of a dollar a gallon or more is likely before the end of this year, with further rises beyond that in 1980.

The airlines see no way of recouping such price rises other than through higher fares. But because of government pressures on fares levels, especially in the U.S., they tend to seek higher levels than perhaps they need, to allow for government cuts.

The fares rises from last April 1, for example, averaged about 4 to 5 per cent, although the airlines originally sought between 7 and 9 per cent.

At the forthcoming meeting, they will be seeking in some cases as much as 15 per cent, in the knowledge that their governments will probably insist on smaller rises.

The rises will be "across the board"—that is, all fares will rise by the same amount, thereby preserving the differentials between first-class, economy and budget (third class) fares.

The airlines do not believe that fares rises, so far, have reached the stage where they will deter traffic growth.

Weather

UK TODAY

DRY, sunny periods England and Wales, some rain N. and W. Scotland spreading to parts of Scotland and to N. Ireland.

London, Cent. N. England, Midlands

Sunny periods, wind S.W. Max. 25C (77F).

S.E., Cent. S., S.W. England, E. Anglia, Channel Is.

Dry, sunny. Max. 24C (75F).

N.W., N.E. England, Wales, Lakes

Dry, sunny. Max. 23C (73F).

I. of Man, Edinburgh, S.W. Scotland, Borders, Dundee, Aberdeen, Glasgow, Cent. Highlands, Moray Firth

Sunny intervals, cloudy, possible rain later. Max. 19C (66F).

N.W., N.E. Scotland, Argyll, Orkney, Shetland

Cloudy, rain or drizzle. Hill, coast fog patches. 14C (57F).

N. Ireland

Cloudy, some rain later. Max. 17C (63F).

Outlook: Mostly dry, warm, some thundery showers in S.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	24	75	Locarno	C	21	70
Algiers	F	24	75	London	C	21	70
Amsdm	S	19	66	Luxmbg.	C	16	61
Athens	S	31	88	Luxor	S	40	104
Bahrain	S	35	93	Madrid	S	23	73
Barclna	S	23	73	Majorca	C	21	70
Belfast	C	16	61	Malaga	C	22	72
Belgrd.	C	18	64	Malta	S	28	82
Berlin	C	17	63	M'chstr	C	16	61
Biarritz	S	22	72	Melbne.	R	11	52
Bmghm.	C	15	59	Milan	F	20	68
Blackpl.	F	15	59	Mntreal.	S	20	68
Bordx.	F	22	72	Moscow	C	20	68
Boulgn.	S	17	63	Munich	R	11	52
Bristol	F	18	66	Nairobi	C	15	59
Brussels	S	20	68	Naples	C	27	81
Budpst.	R	14	57	Nwcstl.	C	16	61
B. Aires	C	11	52	N. York	S	25	77
Cairo	S	37	96	Nice	R	18	64
Cardiff	S	19	66	Nicosia	S	31	88
Cas'b'ca	F	22	72	Oporto	S	25	77
Cape T.	S	25	77	Oslo	S	19	66
Cologne	C	18	64	Paris	F	21	70
Cpnhgn.	C	15	59	Perth	S	17	63
Corfu	S	30	86	Prague	F	16	61
Dublin	F	17	63	Reykjvk.	C	10	50
Dbrvnk.	F	27	81	Rhodes	S	29	83
Ednbgh.	S	19	66	Rio J'o	S	26	78
Faro	F	22	72	Rome	C	25	77
Florence	F	22	72	Salzbrg.	R	12	54
Frankft.	C	18	64	Singapr.	S	30	86
Funchal	C	20	68	Stckhlm.	R	15	59
Geneva	S	17	63	Strsbg.	C	17	63
Gibrltr.	S	21	70	Sydney	S	16	61
Glasgow	F	18	64	Tangier	F	23	73
G'msey	S	18	64	Tehran	S	30	86
Helsinki	F	17	63	Tel Aviv	F	28	82
H. Kong	S	30	86	Tenerife	F	17	63
Innsbrk.	R	11	52	Tokyo	C	27	81
Invrnss.	S	18	64	Toronto	S	19	67
I.o.Man	C	14	57	Tunis	F	28	82
Istanbul	S	29	84	Valencia	F	24	75
Jersey	S	18	64	Venice	C	15	59
Jo'burg	S	11	52	Vienna	R	12	55
L. Plms.	C	23	73	Warsaw	F	19	66
Lisbon	S	26	79	Zurich	R	12	54

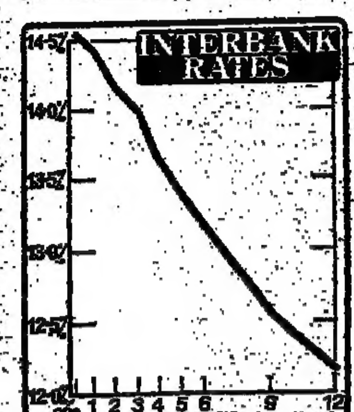
C—Cloudy. F—Fair. R—Rain. S—Sunny.

THE LEX COLUMN

Recasting BSC's debt structure

The sharp downward slope of the yield curve in the money market was accentuated yesterday: one-year money is now more than two points cheaper than one-week money. At the very short end there is nervousness about the extent to which the Bank of England will intervene to ease the pressure on liquidity. The squeeze will be aggravated by the £250m call on the old long tap due to be paid on Friday, with another £380m scheduled for next Wednesday on Treasury 12 per cent 1984. At longer periods, though, the picture is dominated by speculation about a cut in MLR.

Index rose 4.4 to 479.5



British Steel

British Steel Corporation hopes to be operating at a break even rate by next March, and the Government does not intend to finance any operating losses in 1980-81. But that does not necessarily mean that a sustained improvement in BSC's fortunes is at last in view. The fact is that BSC expects its finance requirements this year will be £700m—not much different to the figure for 1978-1979—and it stresses that its projection of a big reduction in losses during the second half of this year does not allow for "adverse contingencies," whatever they may be. A break-even in March is a target, not a forecast, and the group is not able to make any promises about the outlook thereafter.

The Government's statement yesterday also needs to be heavily qualified. In the first place, BSC can still look for taxpayers' help to cover its fixed investment and other essential capital requirements, which last year absorbed two-thirds of its external financing needs. Moreover it must be everybody's hope that by next summer—when the group could be pushing up towards the top of its current borrowing limits—the promised capital reconstruction will at last take place. And if that is to have any meaning, the upshot will be a big reduction in its enormous financing costs.

BSC's present financial structure is absurd. Its depreciation charge is related to assets which are wildly overstated. They are going to be revalued this year to take account of their future earning power, and that could bring a write off of well over £300m. Its capital base is crippled by the burden of an accumulated revenue deficit of over £1bn, which there is no chance of ever being recouped. And although its debt is in reality very largely taxpayers' equity, its attributable losses of £309m are struck after an interest charge of £208m. Until BSC is given a realistic balance sheet any financial targets will be meaningless.

Tesco

Pile it high, sell it cheap, don't pay your creditors for a couple of months but make sure you claim full stock relief. That is the updated supermarketeer's philosophy which, judging by the report and accounts, Tesco is employing to telling effect. Once again the tax charge is nominal—just £1.1m on pre-tax profits of £37.6m—and this year trade creditors have more than financed the increase in stocks. In fact the group generated no less than £72.4m out of trading last year; no wonder Tesco was able more than to double its fixed asset spending to £72m in 1978-79 and will step that up to around £80m this time.

Babcock & Wilcox

It is ironical that on the very day that the nuclear connections of Babcock and Wilcox brought a 10p rise in the share price to 175p the group should have announced a $75m U.S. acquisition designed to reduce its dependence on heavy boiler-making. The purchase of Keeler Corporation takes Babcock very close to the consumer indeed: out of its $146m sales last year, $87m went to the motor industry in the form of metal trim, and plastic.

Whether or not this is a good time to embrace Detroit is arguable, and Babcock already has some exposure through American Chain and Cable. But the group reckons the trend towards lighter American cars is bound to benefit die-casting companies such as Keeler.

Babcock is not buying Keeler at the same sort of knock-down price at which it acquired Acco at the end of 1975. But the p/e of 13 or so is probably not dear, as Keeler's accounting conventions are said to be conservative. There is hardly any debt in the balance sheet and the goodwill element should be small after a property revaluation. Keeler will be consolidated for a few months this year and ought to do more than cover its interest costs.

Babcock International, which takes in ACCO and Keeler, already contributes half group trading profits. Although much of ACCO's business is outside the U.S. the group's geographical drift is clear, and Keeler is being bought not merely as a cash generator but as a basis for more American expansion.

Bath and Portland

The suspension of a £... contract is bound to cause financial headaches for a group with shareholders' funds of only £20m. Most liabilities on Bath and Portland's Iranian road order are covered by ECGD and the company has made a provision of £... which it expects will suffice. But it is still saddled with ... which have helped to ... overseas interest charges. The Board breathed a sigh of relief yesterday when it announced a deal with Anglo-American which offers a £3m loan facility.

But Bath and Portland is entering into a long-term commitment of uncertain implications to ease a cash problem which might have solved itself. The Iranians have promised to resume payments next month and to bring the price escalation clause up to date. In the UK earnings were poor over the first half but should improve. Bath and Portland will benefit from Anglo-American's experience in certain areas, such as Brazil, but may find that political implications of the deal will exclude it from potentially lucrative markets, particularly in Africa.

At the same time, although Anglo-American has agreed not to increase its stake above ... per cent for the next five years there is a clear takeover threat once this undertaking elapses.

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